



WASHINGTON STATE LEGISLATURE

Joint Committee on Pension Policy

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November 13, 2002

10 AM - 1 PM

Senate Hearing Room 4
Olympia

AGENDA

Work Session/Public Hearing

- 10 AM (1) **Post-retirement Employment**
- Robert Baker, Senior Research Analyst
 - Sharon Whitehead, Department of Personnel
 - Lee Goeke, Vancouver School District

Possible Executive Session

- 11 AM (2) **EMTs into LEOFF**, David Pringle
- (3) **SERS & PERS Membership/Service Credit**, Robert Baker
- (4) **Elected Officials Opt In/Opt Out**, David Pringle
- (5) **Age 70 1/2**, David Pringle
- (6) **\$150,000 Death Benefit**, Robert Baker
- (7) **TRS 1 Extended School Year**, Robert Baker

Work Session/Public Hearing

- 11:45 AM (8) **Governance**
- Robert Baker
 - John Charles, Director, Department of Retirement Systems and Chair, Pension Funding Council
- 12:15 PM (9) **Fish and Wildlife into LEOFF**, David Pringle
- 12:45 PM (10) **Age 66 COLA**, Robert Baker
- 1 PM (11) **Adjourn**

JOINT COMMITTEE ON PENSION POLICY

Proposed Meeting Schedule

(November 5, 2002)

April 17, 2002

10 AM - 12:30 PM, House Hearing Room A
Election of Officers
Meeting Schedule; Interim Issues
Session Update
Funding Projections

May 13, 2002

10 AM - 1 PM, Senate Hearing Room 4
Plan 1 Retiree COLAs
Actuarial Presentation

June 19, 2002

10 AM - 1 PM, Senate Hearing Room 4
Governance
Public Safety Benefits

July 10, 2002

10 AM - 1 PM, Senate Hearing Room 4
Membership and Service Credit
EMTs into LEOFF
Governance
Public Safety Cost Examples

August 14, 2002

10 AM - 1 PM, Senate Hearing Room 4
Pension Investments - SIB
Excess Compensation
LEOFF 2 Duty-related Disability
Age 70 ½ Retirement
Elected Officials Opt In/Opt Out
\$150,000 Death Benefit
TRS 1 Extended School Year

September 18, 2002

1 - 4 PM, Senate Hearing Room 4
Pension Funding Council Report
Initiative 790
Early Retirement Windows
Definition of "Veteran" Study

October 16, 2002

10 AM - 1 PM, Senate Hearing Room 4
Definition of "Veteran" Study
EMTs into LEOFF
SERS/PERS Membership & Service Credit
Elected Officials Opt In/Opt Out
Age 70-1/2 Retirement
\$150,000 Death Benefit
TRS 1 Extended School Year

November 13, 2002

10 AM - 1 PM, Senate Hearing Room 4
Post-retirement Employment Report
Governance
Fish and Wildlife into LEOFF
Age 66 COLA
EMTs into LEOFF
SERS/PERS Membership & Service Credit
Elected Officials Opt In/Opt Out
Age 70-1/2
\$150,000 Death Benefit
TRS 1 Extended School Year

December 4, 2002

12:30 - 3:30 PM, Senate Hearing Room 4
Legislation



Post-retirement Employment

Robert Wm. Baker
Senior Research Analyst

Joint Committee on Pension Policy
November 13, 2002

5937 Intent

Attract retirees back to work in order to address...

- Worker retention problems
- Critical shortage of...
 - Experienced teachers
 - Employees with skills in high demand

ESSB 5937

- PERS 1, TRS 1
 - Retiree may work 1,500 hours in an eligible position before suspension of their retirement benefit
- PERS 2/3, TRS 2/3, SERS 2/3
 - Retiree may work 867 hours in an eligible position before suspension of their retirement benefit

Does 5937 / Retire-Rehire...

- ... induce plan members to retire earlier than normal and thus incur additional costs to the plans?
- ... help alleviate shortages?

Section 7

- No later than July 1, 2003, the state actuary shall prepare a report for the joint committee on pension policy regarding the fiscal and policy impacts of this act.

Section 7 *(cont.)*

- The joint committee... shall report to the legislative fiscal committees no later than October 1, 2003, on any proposed changes or improvements to this act.

Section 7 *(cont.)*

- If OSA determines this act has resulted in increased costs for the retirement funds, the JCPP report shall include a proposal to charge those who employ retirees for the prospective costs.

DRS-OSA Reporting Agreement

- DRS to supply a quarterly file of all reemployed PERS 1 and TRS 1 retirees
 - Normal service retirement, portability retirement, or disability retirement
 - Member has, or has had, an open reemployment period within the last 15 months of the reporting end date.

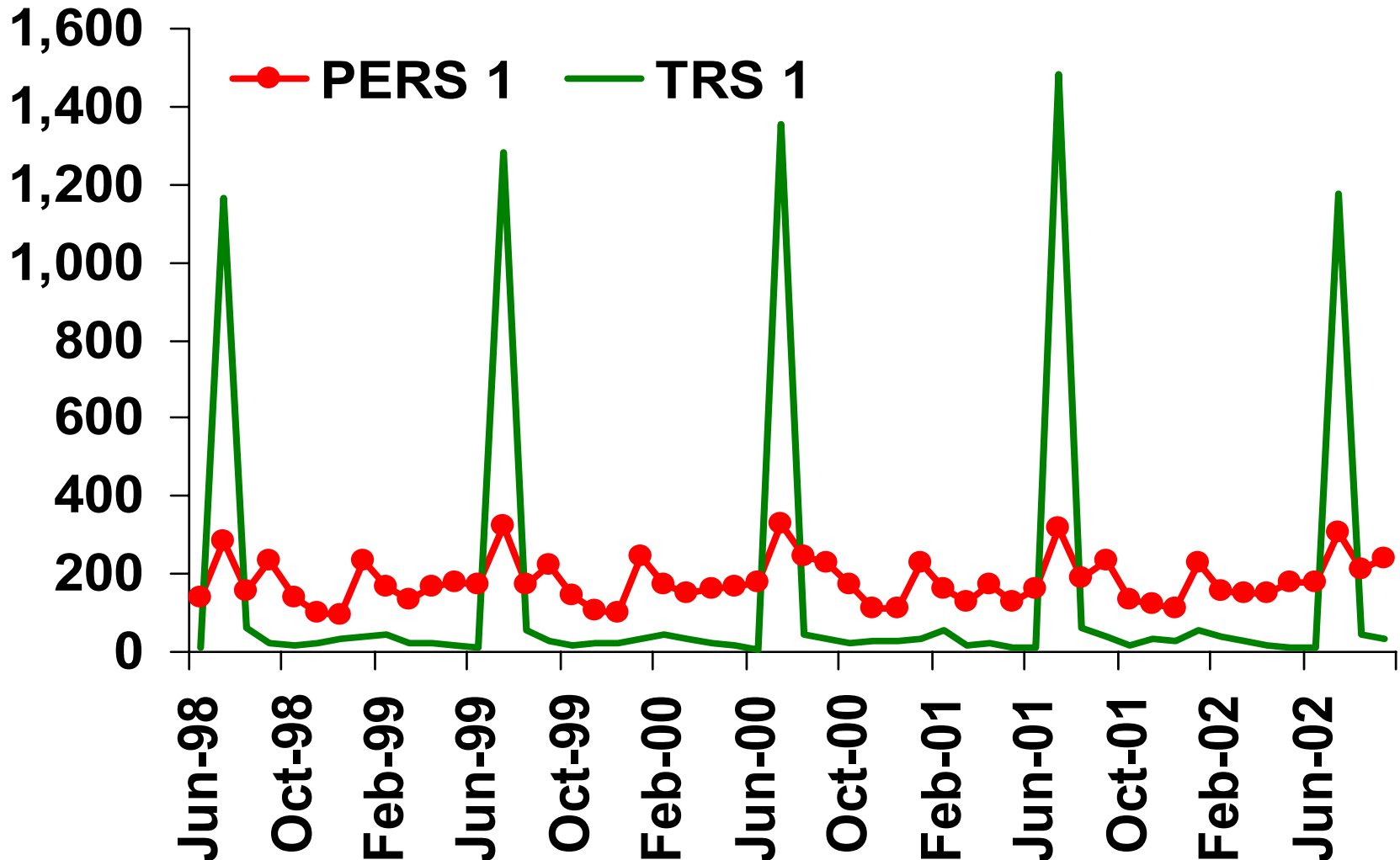
Data

- Count by System/Plan
- Average
 - Hours
 - Salary
 - Cash-out
 - Total Benefit
- Teacher / Administrator / Other

Data *[cont.]*

- Retirement Type
- Years Retired
- Employer
- Age
- Elapsed Months
- Eligibility

New PERS 1 & TRS 1 Retirees



Retirement Disincentives

- No guarantee of rehire
- Weak labor market
- High health-care inflation
- Recent gains
 - Automatic COLA
 - Reduced class size

Rehire Activity Relative to July 1, 2001

Retired	Rehired	TRS	PERS
Before	Before	1,281	711
Before	After	1,746	618
After	After	700	293
Total		3,727	1,622

Rehire Average Age Relative to July 1, 2001

Retired	Rehired	TRS 1	PERS 1
Before	Before	57.3	59.0
Before	After	56.9	57.2
After	After	56.9	57.7

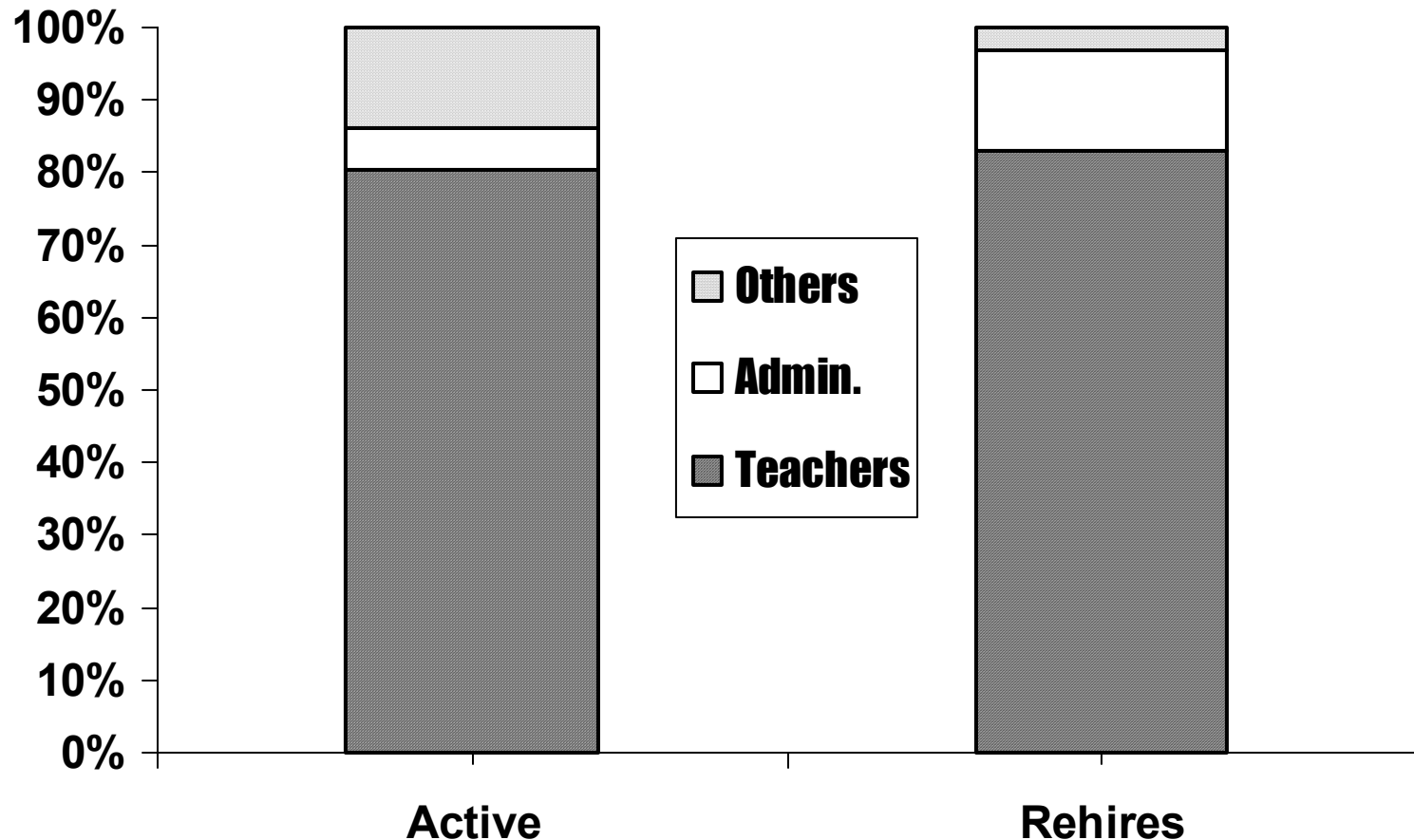
Rehire Average Years of Service Relative to July 1, 2001

Retired	Rehired	TRS 1	PERS 1
Before	Before	29.2	25.6
Before	After	29.0	26.1
After	After	29.2	28.7

Rehire Average Final Comp. Relative to July 1, 2001

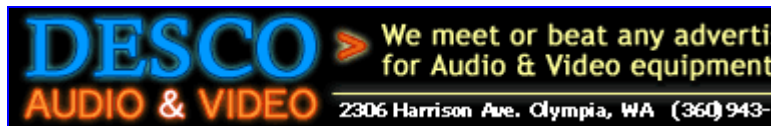
Retired	Rehired	TRS 1	PERS 1
Before	Before	\$4,252	\$3,539
Before	After	\$4,403	\$3,841
After	After	\$5,311	\$4,686

Occupational Share of TRS Actives and Rehires



Examples

	Teacher	Administrator
Retirement Age	57	57
YOS	34	33
AFC	\$63,006	\$99,866
Raw Benefit	\$37,804	\$59,919
Actual Benefit	\$25,482	\$58,166
Hours	1,497	1,500
Salary	\$60,214	\$77,389
Salary+Benefit	\$85,696	\$135,555



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The Olympian, Olympia Washington

Thursday, August 29, 2002

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Carthum back at helm at Griffin

ALMA D. SHARPE THE OLYMPIAN

OLYMPIA -- Harry Carthum's goodbye to the Griffin School District lasted just a few weeks, as he retook the superintendent's job this month under the state's new "retire-rehire" law.

The law allows some education retirees to work full time while collecting a pension.

Carthum, 64, was one of four applicants for his old job. Griffin School Board officials negotiated a contract with him before interviewing the other three.

"We sent them a letter and explained to them what the board had done and thanked them for their application," board Chairman Michael Welter said Wednesday.

Carthum will work 214 days per year, five fewer than his previous contract with the district, in order to not go over the maximum 1,500 hours required by the law. His salary will be \$98,128. His contract is for one year, but it may be renewed.

Best fit

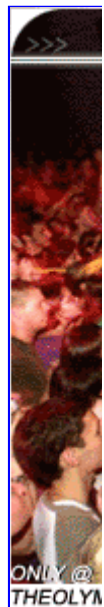
It was easy to determine Carthum would be the best fit for the job given his experience and ability to bring continuity to the district, Welter said.

"Clearly, the relationship the district has with Dr. Carthum is very positive and we appreciated the leadership he provided to the district," Welter said.

"Without a doubt, the board felt this decision was in the best interest of the district and the community."

Twenty-five retirees have been rehired under the law for jobs this fall in the North Thurston, Olympia and Tumwater schools.

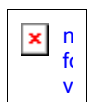
Some have argued state legislators passed the "retire-rehire" law in order to help districts deal with a shortage of teachers in specific areas. But under the law, everyone in the Teachers Retirement System Plan 1, the state's plan for teachers and other educators, has the opportunity to draw pension payments while working full time.



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Carthum has contributed to the system for 32 years. Pension payments under this plan are calculated to be up to 60 percent of the employee's final average annual salary. Carthum's last salary was in the mid-\$90,000s.

He said he's excited about returning to work.

"At my advanced age, I'm as pumped now looking forward to seeing the kids get off the bus next Wednesday as I was 30-some years ago," he said.

Asked how long he wished to work for the district, since his contract is renewable, he said: "As long as I'm healthy, can do the job and somebody wants to hire me."

In addition to his 32 years in education in Washington, Carthum spent three years working for the state in other roles. Those three years showed him he preferred working in schools, he said.

"I missed the excitement that happens every year at this time."

Alma D. Sharpe covers education for The Olympian. She can be reached at 360-754-4226 or asharpe@olympia.gannett.com.

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Sports: Saturday, August 10, 2002

High School Sports**Left in limbo, Hawk leaves Enumclaw**

By Seattle Times staff

ENUMCLAW — When Bill **Hawk** retired from teaching at **Enumclaw** High School in July, he hoped the school district where he spent 32 years would bring him back to coach boys basketball.

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But after learning he wouldn't be brought back as an English teacher under the state's new retire-rehire plan, **Hawk**, 54, accepted a job as boys basketball coach at Battle Ground High School, near Vancouver.

Thus ends a reign during which **Enumclaw** was one of the most successful basketball programs in the state. The Hornets compiled a record of 286-98 during Hawk's 15 years as head coach. They appeared in eight state tournaments — they finished third in the Class 4A tournament last March. They have won the past two South Puget Sound League North Division titles.

Hawk replaced Gary Radliff, who coached **Enumclaw** for 25 years.

At Battle Ground, **Hawk** will follow an icon. He replaces Butch Blue, who coached the Tigers for 26 years before stepping down to become the school's athletic director. Blue's record was 401-198, including a state title in 1990 and 10 league championships.

Hawk believed his 32 years of teaching in the **Enumclaw** School District and the success of the basketball program would enhance his chances for rehiring. Under the retire-rehire program, teachers can receive their pension and also return to the classroom.

But **Hawk**, who said he received positive reviews for his classroom work, was told by **Enumclaw** principal Terry Parker that he wouldn't be brought back. Later in the process, **Hawk** said there was an offer, but it came with some conditions under which **Hawk** did not want to work.

Hawk turned in his keys on Thursday.

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1 AN ACT Relating to allowing fire fighter emergency medical
2 technicians to transfer public employees' retirement system service
3 credit to the law enforcement officers' and fire fighters' plan 2;
4 adding a new section to chapter 41.26 RCW; and providing an expiration
5 date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.26 RCW
8 under the subchapter heading "plan 2" to read as follows:

9 (1) An employee who is eligible for membership in plan 2 and was a
10 member of the public employees' retirement system while employed
11 providing emergency medical services for a city, town, county, or
12 district and whose job was relocated from another department of a city,
13 town, county, or district to a fire department has the following
14 options:

15 (a) Remain a member of the public employees' retirement system; or
16 (b) Leave any service credit earned as a member of the public
17 employees' retirement system in the public employees' retirement

1 system, and have all future service earned in the law enforcement
2 officers' and fire fighters' retirement system plan 2, becoming a dual
3 member under the provisions of chapter 41.54 RCW; or

4 (c) Make an election, filed in writing with the department of
5 retirement systems, to transfer service credit previously earned as an
6 emergency medical technician for a city, town, county, or district in
7 the public employees' retirement system plan 1 or plan 2 to the law
8 enforcement officers' and fire fighters' retirement system plan 2 as
9 defined in RCW 41.26.030. Service credit that a member elects to
10 transfer from the public employees' retirement system to the law
11 enforcement officers' and fire fighters' retirement system under this
12 section shall be transferred no earlier than five years after the
13 effective date the member elects to transfer, and only after the member
14 earns five years of service credit as a fire fighter following the
15 effective date the member elects to transfer.

16 (2) An employee who is eligible for membership in plan 1 and was a
17 member of the public employees' retirement system while employed
18 providing emergency medical services for a city, town, county, or
19 district and whose job was relocated from another department of a city,
20 town, county, or district to a fire department has the following
21 options:

22 (a) Remain a member of the public employees' retirement system; or

23 (b) Leave any service credit earned as a member of the public
24 employees' retirement system in the public employees' retirement
25 system, and have all future service earned in the law enforcement
26 officers' and fire fighters' retirement system plan 1, becoming a dual
27 member under the provisions of chapter 41.54 RCW.

28 (3) (a) A member who elects to transfer service credit under
29 subsection (1) (c) of this section shall make the payments required by
30 this subsection prior to having service credit earned as an emergency
31 medical technician for a city, town, county, or district under the
32 public employees' retirement system plan 1 or plan 2 transferred to the
33 law enforcement officers' and fire fighters' retirement system plan 2.
34 However, in no event shall service credit be transferred earlier than
35 five years after the effective date the member elects to transfer, or
36 prior to the member earning five years of service credit as a fire
37 fighter following the effective date the member elects to transfer.

1 (b) A member who elects to transfer service credit under this
2 subsection shall pay, for the applicable period of service, the
3 difference between the contributions the employee paid to the public
4 employees' retirement system plan 1 or plan 2 and the contributions
5 that would have been paid by the employee had the employee been a
6 member of the law enforcement officers' and fire fighters' retirement
7 system plan 2, plus interest on this difference as determined by the
8 director. This payment must be made no later than five years from the
9 effective date of the election made under subsection (1)(b) of this
10 section.

11 (c) No earlier than five years after the effective date the member
12 elects to transfer service credit under this section and upon
13 completion of the payment required in (b) of this subsection, the
14 department shall transfer from the public employees' retirement system
15 plan 1 or plan 2 to the law enforcement officers' and fire fighters'
16 retirement system plan 2: (i) All of the employee's applicable
17 accumulated contributions plus interest and an equal amount of employer
18 contributions; and (ii) all applicable months of service, as defined in
19 RCW 41.26.030(14)(b), credited to the employee under this chapter for
20 service as an emergency services provider for a city, town, county, or
21 district as though that service was rendered as a member of the law
22 enforcement officers' and fire fighters' retirement system plan 2.

23 (d) Upon transfer of service credit, contributions, and interest
24 under this subsection, the employee is permanently excluded from
25 membership in the public employees' retirement system for all service
26 transfers.

27 NEW SECTION. **Sec. 2.** This act expires July 1, 2007.

--- END ---

Draft
RESPONDING AGENCY:
Office of the State Actuary

FISCAL NOTE

REQUEST NO.

CODE:

DATE:

BILL NUMBER:

035

11/01/02

Z-0207.1

EMTs into LEOFF

SUMMARY:

This bill impacts members of the Public Employees' Retirement System (PERS) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by enabling emergency medical technicians whose jobs were transferred from non-LEOFF employer city, town, county or district departments to fire departments to move past service credit earned as an emergency medical technician in PERS to LEOFF 2.

To move eligible past service credit from PERS to LEOFF 2, an employee is required to make a payment to the retirement system to make up for the difference in contributions, plus interest, that the employee would have made had they been in LEOFF 2 for the PERS service being transferred. This payment must be made no later than 5 years from the effective date of the members election. The employees PERS contributions plus interest, and an equal amount of employer contributions, are moved from PERS to LEOFF 2 upon completion of the employee's required differential payment, but no earlier than 5 years after the effective date of the members election.

This act expires July 1, 2007.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

A member who is employed by a department of a city, town, county or district government, like a health department, as an emergency medical technician will normally be a member of PERS. A member who is employed by a city, town, county or district fire department as a fire fighter and/or emergency medical technician may be a member of LEOFF 2. The difference is, in part, because the city, town, county or district health department is not an eligible employer for LEOFF 2.

If an employee's job has been moved from a health department to a fire department, for example through the reorganization of city or county services, they may have service credit for periods of their work as an emergency medical technician in each of PERS and LEOFF, entitling them to portability benefits from each plan under Chapter 41.54 RCW.

MEMBERS IMPACTED:

We have been provided data on 7 Camas County fire fighters who are now in LEOFF and 16 Snohomish County medics who are in process of being moved into LEOFF. Most have prior service in PERS 2. One has service in PERS 1, another is in LEOFF 1. Two others have cashed out their savings fund in PERS 2 and no longer have prior service with PERS 2. We do not have data on any other eligible members from PERS. There are 128,955 active members in PERS 2 and 23,981 active members PERS 1. There are 13,585 active members in LEOFF 2.

Based on the data supplied and assuming the transfer payment is made on the valuation date, the average person would be required to pay \$25,300 to have an average of 11 years of service transferred. Those in LEOFF 2 are eligible to retire at age 53 with an unreduced benefit, and those with 20 or more years of service could retire at age 50 with 91% of their benefit. If this service remained in PERS 2 only those with 20 or more years could retire at age 55 with 37% of their unreduced benefit. The estimated average pay for this group is currently \$69,800 and the average benefit based on this PERS service is $.02 \times 11 \times \$69,800$ or \$15,400 per year. This would be \$15,400 in LEOFF 2 at age 53 vs. \$5,700 payable from PERS 2 starting at age 55 for those eligible and desiring to retire early. (Since this pay is not projected these benefits could be viewed in terms of today's dollars)

FISCAL IMPACT:

Based on the data for 23 members who are known to be affected by this bill, we have determined an average cost. The actual cost will not be known until we know how many members can and will make this election.

	<u>Per Person</u>
Increase in Present Value of Projected Benefits	\$ 138,900
Amount Transferred from PERS	-67,800
Amount Paid by Participant	<u>-25,300</u>
Net Increase paid from increased contributions	45,800

The Rate Increase is divided 50%, 30%, 20% for the employee, employer and state respectively.

Actuarial Determinations:

The impact below is for the 23 employees who are known to be affected by this bill.

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

Law Enforcement Officers' and Fire Fighters' Retirement System			
<i>(Dollars in Millions)</i>	Current	Increase	Total
Actuarial Present Value of Projected Benefits	\$3,652	\$3	\$3,655
The Value of the Total Commitment to all Current Members			
Unfunded Actuarial Accrued Liability	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024			
Unfunded Liability (PBO)	(\$907)	\$1	(\$906)
The Value of the Total Commitment to all Current Members Attributable to Past Service			
Required Contribution Rate			
Employee	5.05%	0.0045%	5.05%
Employer	3.03%	0.0027%	3.03%
State	<u>2.02%</u>	<u>0.0018%</u>	<u>2.02%</u>
Total	10.10%	0.0089%	10.10%

Fiscal Budget Determinations:

Since the increase rounds down there is no fiscal impact.

State Actuary's Comments:

Although the above shows no immediate impact on the contribution rates, because of the open nature of who might be eligible or become eligible, the actual cost is not determinable. It is estimated that perhaps 40 medics might become eligible in King county alone, in which case the above costs would roughly triple, and the total contribution rate increase would be .02%/.01%/.01% for the employer, employee and state respectively.

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

We assume all eligible members would elect to transfer their service.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2 utilizes the Aggregate Funding Method. The cost of Plan 2 is spread over the average working lifetime of the current active Plan 2 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

EMT's into LEOFF

Description of 2002 Emergency Medical Technician Bills HB 2896/SB 6781

Background:

Emergency Medical Technicians (EMTs) employed by local governments in health departments or other similar divisions of local governments are members of the Public Employees' Retirement System (PERS). All employees first employed in PERS-eligible positions since 1977 have been enrolled in PERS plan 2/3, which allows for an unreduced retirement allowance at age 65.

Some EMTs have had their jobs moved from various departments in local government to fire departments. Upon meeting all the requirements to become fire fighters, such as training and passing applicable examinations, these EMTs employed at fire departments become members of the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2 (LEOFF 2). Members of LEOFF 2 may retire with an unreduced allowance at age 53.

Two employers who have transferred EMTs are the City of Camas and Snohomish County. Twenty-one EMTs from these employers are now employed by fire departments and are in LEOFF 2, and most have prior service in PERS plan 2. The actuarial fiscal notes prepared for several versions of HB 2896 during the 2002 legislative session assess the cost impact for these employees under each bill. Several other employers were reported as considering a similar movement of EMTs to fire departments during the 2002 legislative session, and all versions of the bill would remain effective until July 1, 2007.

Age and Service Credit of Emergency Medical Technicians City of Camas and Snohomish County, 2001

Age	Number	Average years to unreduced retirement
25-29	1	24
30-34	2	20
35-39	1	18
40-44	7	11
45-49	7	6
50-53	5	3
54+	1	—

Members with years of service in each of PERS 2 and LEOFF 2 may currently utilize the portability provisions of state retirement law to combine years of service and average salary for purposes of retirement eligibility, but the retirement ages of each plan still apply to the benefit receivable from each plan.

Summary of Bill Versions:

HB 2896/SB 6781

EMTs whose jobs have been moved from a department of local government to a fire department and are now members of LEOFF 2 may apply to have any service credit earned as an EMT in PERS 2 to LEOFF 2.

An employee moving eligible service credit from PERS 2 to LEOFF 2 is required to pay to the retirement system the difference in contributions, plus interest, that would have been paid by the employee had their entire service been rendered in LEOFF 2. The employee shall complete this payment no later than five years from the date of their transfer or retirement, whichever comes first.

Upon completion of the employee's payment, the employee's contributions plus interest and an equal amount of employer contributions shall be transferred from PERS 2 to LEOFF 2. Any difference in employer contributions made to PERS 2 and the employer and state contributions that would have been made in LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rates paid by all LEOFF 2 employees, employers, and the state.

This bill was passed by the house 88-9 on February 18, 2002.

SHB 2896

The substitute bill recommended by committee altered the amount that employers paid upon the employee's completion of their required payments for transferring service. In addition to the equal amount of employer contributions being transferred from PERS 2 to LEOFF 2, the employer is required to pay an amount sufficient to ensure that the contribution rates to LEOFF 2 do not increase due to the transfer of the employee's past service from PERS 2 to LEOFF 2. The employer is required to make this additional payment within five years of the employee's completion of their transfer payment.

Though recommended by the Appropriations Committee, the House of Representatives passed the original version of HB 2896.

Senate striking amendment S4874.2 to HB 2896

Amending the original bill, the striking amendment permitted both members of PERS 1 and PERS 2 to transfer past service into LEOFF 2. Employees electing to transfer service from PERS 1 or 2 to LEOFF 2 shall not retire with their transferred service under the terms of LEOFF 2 earlier than five years after the effective date the member elects to transfer service.

As in the original bill, employers have an equal amount of employer contributions transferred to LEOFF 2, and any difference in employer contributions made to PERS 2 and the employer and state contributions that would have been made in LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rates paid by all LEOFF 2 employees, employers, and the state.

The Senate Ways and Means Committee adopted this amendment. No further action was taken.

All versions of the bill expire July 1, 2007.

Executive Committee Recommendation:

Permit Emergency Medical Technicians employed by fire departments who are members of LEOFF 2 and whose jobs were moved from a department of local government to transfer past service credit earned as a public EMT to LEOFF 2.

A member who elects to transfer eligible service credit earned in PERS 2 to LEOFF 2 must pay the difference in employee contributions between those made in PERS 2, and those that would have made in LEOFF2, plus interest. In addition, the service credit shall be transferred from PERS 2 to LEOFF 2 no earlier than five years following the effective date the member elects to transfer.

Upon transfer of the employee's service credit into LEOFF 2, an equal amount of employer contributions to employee contributions shall be transferred from PERS 2 into LEOFF 2. Any additional cost between the amount of employer contributions transferred from PERS 2 into LEOFF 2 and the value of the service moved into LEOFF 2 become liabilities of LEOFF 2 and are incorporated into the LEOFF 2 contribution rates to be paid by all LEOFF 2 employees, employers, and the state.

1 AN ACT Relating to providing optional service credit for substitute
2 service to members of the school employees' retirement system; amending
3 RCW 41.35.010 and 41.35.030; and adding a new section to chapter 41.35
4 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.35.010 and 2001 c 180 s 3 are each amended to read
7 as follows:

8 The definitions in this section apply throughout this chapter,
9 unless the context clearly requires otherwise((~~+~~))..

10 (1) "Retirement system" means the Washington school employees'
11 retirement system provided for in this chapter.

12 (2) "Department" means the department of retirement systems created
13 in chapter 41.50 RCW.

14 (3) "State treasurer" means the treasurer of the state of
15 Washington.

16 (4) "Employer," for plan 2 and plan 3 members, means a school
17 district or an educational service district.

1 (5) "Member" means any employee included in the membership of the
2 retirement system, as provided for in RCW 41.35.030.

3 (6) (a) "Compensation earnable" for plan 2 and plan 3 members, means
4 salaries or wages earned by a member during a payroll period for
5 personal services, including overtime payments, and shall include wages
6 and salaries deferred under provisions established pursuant to sections
7 403(b), 414(h), and 457 of the United States internal revenue code, but
8 shall exclude nonmoney maintenance compensation and lump sum or other
9 payments for deferred annual sick leave, unused accumulated vacation,
10 unused accumulated annual leave, or any form of severance pay.

11 (b) "Compensation earnable" for plan 2 and plan 3 members also
12 includes the following actual or imputed payments, which are not paid
13 for personal services:

14 (i) Retroactive payments to an individual by an employer on
15 reinstatement of the employee in a position, or payments by an employer
16 to an individual in lieu of reinstatement, which are awarded or granted
17 as the equivalent of the salary or wage which the individual would have
18 earned during a payroll period shall be considered compensation
19 earnable to the extent provided in this subsection, and the individual
20 shall receive the equivalent service credit;

21 (ii) In any year in which a member serves in the legislature, the
22 member shall have the option of having such member's compensation
23 earnable be the greater of:

24 (A) The compensation earnable the member would have received had
25 such member not served in the legislature; or

26 (B) Such member's actual compensation earnable received for
27 nonlegislative public employment and legislative service combined. Any
28 additional contributions to the retirement system required because
29 compensation earnable under (b) (ii) (A) of this subsection is greater
30 than compensation earnable under this (b) (ii) (B) of this subsection
31 shall be paid by the member for both member and employer contributions;

32 (iii) Assault pay only as authorized by RCW 27.04.100, 72.01.045,
33 and 72.09.240;

34 (iv) Compensation that a member would have received but for a
35 disability occurring in the line of duty only as authorized by RCW
36 41.40.038;

37 (v) Compensation that a member receives due to participation in the

1 leave sharing program only as authorized by RCW 41.04.650 through
2 41.04.670; and

3 (vi) Compensation that a member receives for being in standby
4 status. For the purposes of this section, a member is in standby
5 status when not being paid for time actually worked and the employer
6 requires the member to be prepared to report immediately for work, if
7 the need arises, although the need may not arise.

8 (7) "Service" for plan 2 and plan 3 members means periods of
9 employment by a member in an eligible position or positions for one or
10 more employers for which compensation earnable is paid. Compensation
11 earnable earned for ninety or more hours in any calendar month shall
12 constitute one service credit month except as provided in RCW
13 41.35.180. Compensation earnable earned for at least seventy hours but
14 less than ninety hours in any calendar month shall constitute one-half
15 service credit month of service. Compensation earnable earned for less
16 than seventy hours in any calendar month shall constitute one-quarter
17 service credit month of service. Time spent in standby status, whether
18 compensated or not, is not service.

19 Any fraction of a year of service shall be taken into account in
20 the computation of such retirement allowance or benefits.

21 (a) Service in any state elective position shall be deemed to be
22 full-time service.

23 (b) A member shall receive a total of not more than twelve service
24 credit months of service for such calendar year. If an individual is
25 employed in an eligible position by one or more employers the
26 individual shall receive no more than one service credit month during
27 any calendar month in which multiple service for ninety or more hours
28 is rendered.

29 (c) For purposes of plan 2 and 3 "forty-five days" as used in RCW
30 28A.400.300 is equal to two service credit months. Use of less than
31 forty-five days of sick leave is creditable as allowed under this
32 subsection as follows:

- 33 (i) Less than eleven days equals one-quarter service credit month;
- 34 (ii) Eleven or more days but less than twenty-two days equals one-
35 half service credit month;
- 36 (iii) Twenty-two days equals one service credit month;
- 37 (iv) More than twenty-two days but less than thirty-three days
38 equals one and one-quarter service credit month; and

1 (v) Thirty-three or more days but less than forty-five days equals
2 one and one-half service credit month.

3 (8) "Service credit year" means an accumulation of months of
4 service credit which is equal to one when divided by twelve.

5 (9) "Service credit month" means a month or an accumulation of
6 months of service credit which is equal to one.

7 (10) "Membership service" means all service rendered as a member.

8 (11) "Beneficiary" for plan 2 and plan 3 members means any person
9 in receipt of a retirement allowance or other benefit provided by this
10 chapter resulting from service rendered to an employer by another
11 person.

12 (12) "Regular interest" means such rate as the director may
13 determine.

14 (13) "Accumulated contributions" means the sum of all contributions
15 standing to the credit of a member in the member's individual account,
16 including any amount paid under RCW 41.50.165(2), together with the
17 regular interest thereon.

18 (14) "Average final compensation" for plan 2 and plan 3 members
19 means the member's average compensation earnable of the highest
20 consecutive sixty months of service credit months prior to such
21 member's retirement, termination, or death. Periods constituting
22 authorized leaves of absence may not be used in the calculation of
23 average final compensation except under RCW 41.40.710(2).

24 (15) "Final compensation" means the annual rate of compensation
25 earnable by a member at the time of termination of employment.

26 (16) "Annuity" means payments for life derived from accumulated
27 contributions of a member. All annuities shall be paid in monthly
28 installments.

29 (17) "Pension" means payments for life derived from contributions
30 made by the employer. All pensions shall be paid in monthly
31 installments.

32 (18) "Retirement allowance" for plan 2 and plan 3 members means
33 monthly payments to a retiree or beneficiary as provided in this
34 chapter.

35 (19) "Employee" or "employed" means a person who is providing
36 services for compensation to an employer, unless the person is free
37 from the employer's direction and control over the performance of work.

1 The department shall adopt rules and interpret this subsection
2 consistent with common law.

3 (20) "Actuarial equivalent" means a benefit of equal value when
4 computed upon the basis of such mortality and other tables as may be
5 adopted by the director.

6 (21) "Retirement" means withdrawal from active service with a
7 retirement allowance as provided by this chapter.

8 (22) "Eligible position" means any position that, as defined by the
9 employer, normally requires five or more months of service a year for
10 which regular compensation for at least seventy hours is earned by the
11 occupant thereof. For purposes of this chapter an employer shall not
12 define "position" in such a manner that an employee's monthly work for
13 that employer is divided into more than one position.

14 (23) "Ineligible position" means any position which does not
15 conform with the requirements set forth in subsection (22) of this
16 section.

17 (24) "Leave of absence" means the period of time a member is
18 authorized by the employer to be absent from service without being
19 separated from membership.

20 (25) "Retiree" means any person who has begun accruing a retirement
21 allowance or other benefit provided by this chapter resulting from
22 service rendered to an employer while a member.

23 (26) "Director" means the director of the department.

24 (27) "State elective position" means any position held by any
25 person elected or appointed to statewide office or elected or appointed
26 as a member of the legislature.

27 (28) "State actuary" or "actuary" means the person appointed
28 pursuant to RCW 44.44.010(2).

29 (29) "Plan 2" means the Washington school employees' retirement
30 system plan 2 providing the benefits and funding provisions covering
31 persons who first became members of the public employees' retirement
32 system on and after October 1, 1977, and transferred to the Washington
33 school employees' retirement system under RCW 41.40.750.

34 (30) "Plan 3" means the Washington school employees' retirement
35 system plan 3 providing the benefits and funding provisions covering
36 persons who first became members of the system on and after September
37 1, 2000, or who transfer from plan 2 under RCW 41.35.510.

1 (31) "Index" means, for any calendar year, that year's annual
2 average consumer price index, Seattle, Washington area, for urban wage
3 earners and clerical workers, all items, compiled by the bureau of
4 labor statistics, United States department of labor.

5 (32) "Index A" means the index for the year prior to the
6 determination of a postretirement adjustment.

7 (33) "Index B" means the index for the year prior to index A.

8 (34) "Adjustment ratio" means the value of index A divided by index
9 B.

10 (35) "Separation from service" occurs when a person has terminated
11 all employment with an employer.

12 (36) "Member account" or "member's account" for purposes of plan 3
13 means the sum of the contributions and earnings on behalf of the member
14 in the defined contribution portion of plan 3.

15 (37) "Classified employee" means an employee of a school district
16 or an educational service district who is not eligible for membership
17 in the teachers' retirement system established under chapter 41.32 RCW.

18 (38) "Substitute employee" means a classified employee who is
19 employed by an employer exclusively as a substitute for an absent
20 employee.

21 **Sec. 2.** RCW 41.35.030 and 1998 c 341 s 4 are each amended to read
22 as follows:

23 Membership in the retirement system shall consist of all regularly
24 compensated classified employees and appointive and elective officials
25 of employers, as defined in this chapter, with the following
26 exceptions:

27 (1) Persons in ineligible positions;

28 (2)(a) Persons holding elective offices or persons appointed
29 directly by the governor: PROVIDED, That such persons shall have the
30 option of applying for membership during such periods of employment:
31 AND PROVIDED FURTHER, That any persons holding or who have held
32 elective offices or persons appointed by the governor who are members
33 in the retirement system and who have, prior to becoming such members,
34 previously held an elective office, and did not at the start of such
35 initial or successive terms of office exercise their option to become
36 members, may apply for membership to be effective during such term or
37 terms of office, and shall be allowed to establish the service credit

1 applicable to such term or terms of office upon payment of the employee
2 contributions therefor by the employee with interest as determined by
3 the director and employer contributions therefor by the employer or
4 employee with interest as determined by the director: AND PROVIDED
5 FURTHER, That all contributions with interest submitted by the employee
6 under this subsection shall be placed in the employee's individual
7 account in the employee's savings fund and be treated as any other
8 contribution made by the employee, with the exception that any
9 contributions submitted by the employee in payment of the employer's
10 obligation, together with the interest the director may apply to the
11 employer's contribution, shall not be considered part of the member's
12 annuity for any purpose except withdrawal of contributions;

13 (b) A member holding elective office who has elected to apply for
14 membership pursuant to (a) of this subsection and who later wishes to
15 be eligible for a retirement allowance shall have the option of ending
16 his or her membership in the retirement system. A member wishing to
17 end his or her membership under this subsection must file on a form
18 supplied by the department a statement indicating that the member
19 agrees to irrevocably abandon any claim for service for future periods
20 served as an elected official. A member who receives more than fifteen
21 thousand dollars per year in compensation for his or her elective
22 service, adjusted annually for inflation by the director, is not
23 eligible for the option provided by this subsection (2) (b);

24 (3) Retirement system retirees: PROVIDED, That following
25 reemployment in an eligible position, a retiree may elect to
26 prospectively become a member of the retirement system if otherwise
27 eligible;

28 (4) Persons enrolled in state-approved apprenticeship programs,
29 authorized under chapter 49.04 RCW, and who are employed by employers
30 to earn hours to complete such apprenticeship programs, if the employee
31 is a member of a union-sponsored retirement plan and is making
32 contributions to such a retirement plan or if the employee is a member
33 of a Taft-Hartley retirement plan;

34 (5) Persons rendering professional services to an employer on a
35 fee, retainer, or contract basis or when the income from these services
36 is less than fifty percent of the gross income received from the
37 person's practice of a profession;

1 (6) Substitute employees, except for the purposes of the purchase
2 of service credit under section 3 of this act. Upon the return or
3 termination of the absent employee a substitute employee is replacing,
4 that substitute employee shall no longer be ineligible under this
5 subsection;

6 (7) Employees who (a) are not citizens of the United States, (b) do
7 not reside in the United States, and (c) perform duties outside of the
8 United States;

9 ((77)) (8) Employees who (a) are not citizens of the United
10 States, (b) are not covered by chapter 41.48 RCW, (c) are not excluded
11 from membership under this chapter or chapter 41.04 RCW, (d) are
12 residents of this state, and (e) make an irrevocable election to be
13 excluded from membership, in writing, which is submitted to the
14 director within thirty days after employment in an eligible position;

15 ((78)) (9) Employees who are citizens of the United States and who
16 reside and perform duties for an employer outside of the United States:
17 PROVIDED, That unless otherwise excluded under this chapter or chapter
18 41.04 RCW, the employee may apply for membership (a) within thirty days
19 after employment in an eligible position and membership service credit
20 shall be granted from the first day of membership service, and (b)
21 after this thirty-day period, but membership service credit shall be
22 granted only if payment is made for the noncredited membership service
23 under RCW 41.50.165(2), otherwise service shall be from the date of
24 application.

25 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW
26 under the subchapter heading "provisions applicable to plan 2 and plan
27 3" to read as follows:

28 (1) A substitute employee who works five or more months of seventy
29 or more hours for which earnable compensation is paid in a school year
30 may apply to the department to establish membership after the end of
31 the school year during which the work was performed. The application
32 must:

33 (a) Include a list of the employers the substitute employee has
34 worked for;

35 (b) Include proof of hours worked and compensation earned; and

36 (c) Be made prior to retirement.

1 (2) Substitute employees who are members may apply to the
2 department to receive service after the end of the last day of
3 instruction of the school year during which the service was performed.
4 The application must:

5 (a) Include a list of the employers the substitute employee has
6 worked for;

7 (b) Include proof of hours worked and compensation earned; and

8 (c) Be made prior to retirement.

9 (3) If the department accepts the substitute employee's application
10 for service credit, the substitute employee may obtain service credit
11 by paying the required contribution to the retirement system. The
12 employer must pay the required employer contribution upon notice from
13 the department that the substitute employee has made contributions
14 under this section.

15 (4) The department shall charge interest prospectively on employee
16 contributions that are submitted under this section more than six
17 months after the end of the school year, as defined in RCW 28A.150.040,
18 for which the substitute employee is seeking service credit. The
19 interest rate charged to the employee shall take into account interest
20 lost on employer contributions delayed for more than six months after
21 the end of the school year.

22 (5) Each employer shall quarterly notify each substitute employee
23 it has employed during the school year of the number of hours worked
24 by, and the compensation paid to, the substitute employee.

25 (6) If a substitute employee, as defined in RCW 41.35.010(38),
26 applies to the department under this section for credit for earnable
27 compensation earned from an employer, the substitute employee must make
28 contributions for all periods of service for that employer.

29 (7) The department shall adopt rules implementing this section.

--- END ---

Draft

FISCAL NOTE

RESPONDING AGENCY:

Office of the State Actuary

CODE:

035

DATE:

10/31/02

REQUEST NO.

BILL NUMBER:

Z-0147.1

Membership & Svc Credit

SUMMARY:

This bill impacts the School Employees Retirement System by allowing substitute employees to purchase service credit.

Effective Date: Ninety days after session.

BACKGROUND DISCUSSION:

Substitutes for classified employees in school districts may earn service credit in the School Employees Retirement System if they work five or more months of during the year for which compensation for at least seventy hours per month is earned two years in succession.

Currently, by substituting on a frequent basis, a classified substitute employee may surpass the requirements to earn school employees' retirement system service credit. When this occurs, their employer must make the appropriate employer contributions to the retirement plan for the period during which the employee fulfilled those requirements. The substitute employee is also billed for the employee contributions for the same period. School districts are inconsistent with the application of these service credit rules.

While some substitutes may use this experience to work into a full-time position, others do not. Many substitutes withdraw their contributions after they terminate employment at the end of the school year. This causes administrative costs at the school districts and at the department. It also causes a financial burden to the substitute because they are assessed a 10% tax penalty for withdrawing.

MEMBERS IMPACTED:

Current classified substitutes who are members would be removed from membership. We currently have no information on the number of classified substitute employees. Those who opt to purchase service credit under this bill would be doing so with after-tax dollars rather than with pre-tax dollars as do regular members.

FISCAL IMPACT:

By excluding all substitutes from membership, except those who opt in voluntarily, the contribution rate could increase. The cost of the retirement system would be borne only by those receiving the benefits as school districts would no longer make contributions for those who receive no benefits. The total cost would not increase, however.

SERS & PERS

Membership/Service Credit

Membership and service credit determinations of substitute employees for School Employee's Retirement System (SERS) members are not consistent among employers and may not adhere to existing statutes and administrative codes. This may be the result of the complexity in the statutes and rules themselves.

As a result of their permanent part-time status, many classified school employees work considerably fewer hours during the school year than full-time employees. But as with teachers, if they are ill or absent, they need a substitute. These substitutes work even fewer hours during the year than the already modest number worked by many of those for whom they are substituting. This limited work time makes it difficult for substitutes to accumulate significant amounts of service credit and significant value in the School Employees Retirement System.

As a result, the executive committee of the JCPP recommends that the same membership and service credit procedure used for substitute teachers be used for substitute school employees. At the end of each school year substitute teachers may opt to purchase the service credit warranted by the hours they worked. As a voluntary approach, this would eliminate those from plan membership who don't qualify and those who don't wish to participate. As in TRS, contributions would be in after-tax dollars; this would eliminate much of the penalty should a member need to withdraw in the future.

As this administrative process is already in use, the burden is minimized. Recent procedural improvements at the Department have lowered the cost of administering the substitute teacher records. These improvements have lowered any potential cost of administering a similar process for substitute SERS workers.

1 AN ACT Relating to allowing a member holding state elective office
2 the option during each term of office of membership or retirement and
3 beginning their retirement allowance in the law enforcement officers'
4 and fire fighters' retirement system, the teachers' retirement system,
5 the school employees' retirement system, and the public employees'
6 retirement system; and amending RCW 41.26.030, 41.32.010, 41.32.263,
7 41.35.030, and 41.40.023.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 **Sec. 1.** RCW 41.26.030 and 2002 c 128 s 3 are each amended to read
10 as follows:

11 As used in this chapter, unless a different meaning is plainly
12 required by the context:

13 (1) "Retirement system" means the "Washington law enforcement
14 officers' and fire fighters' retirement system" provided herein.

15 (2)(a) "Employer" for plan 1 members, means the legislative
16 authority of any city, town, county, or district or the elected
17 officials of any municipal corporation that employs any law enforcement
18 officer and/or fire fighter, any authorized association of such

1 municipalities, and, except for the purposes of RCW 41.26.150, any
2 labor guild, association, or organization, which represents the fire
3 fighters or law enforcement officers of at least seven cities of over
4 20,000 population and the membership of each local lodge or division of
5 which is composed of at least sixty percent law enforcement officers or
6 fire fighters as defined in this chapter.

7 (b) "Employer" for plan 2 members, means the following entities to
8 the extent that the entity employs any law enforcement officer and/or
9 fire fighter:

10 (i) The legislative authority of any city, town, county, or
11 district;

12 (ii) The elected officials of any municipal corporation;

13 (iii) The governing body of any other general authority law
14 enforcement agency; or

15 (iv) A four-year institution of higher education having a fully
16 operational fire department as of January 1, 1996.

17 (3) "Law enforcement officer" beginning January 1, 1994, means any
18 person who is commissioned and employed by an employer on a full time,
19 fully compensated basis to enforce the criminal laws of the state of
20 Washington generally, with the following qualifications:

21 (a) No person who is serving in a position that is basically
22 clerical or secretarial in nature, and who is not commissioned shall be
23 considered a law enforcement officer;

24 (b) Only those deputy sheriffs, including those serving under a
25 different title pursuant to county charter, who have successfully
26 completed a civil service examination for deputy sheriff or the
27 equivalent position, where a different title is used, and those persons
28 serving in unclassified positions authorized by RCW 41.14.070 except a
29 private secretary will be considered law enforcement officers;

30 (c) Only such full time commissioned law enforcement personnel as
31 have been appointed to offices, positions, or ranks in the police
32 department which have been specifically created or otherwise expressly
33 provided for and designated by city charter provision or by ordinance
34 enacted by the legislative body of the city shall be considered city
35 police officers;

36 (d) The term "law enforcement officer" also includes the executive
37 secretary of a labor guild, association or organization (which is an
38 employer under RCW 41.26.030(2)) if that individual has five years

1 previous membership in the retirement system established in chapter
2 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to
3 plan 2 members; and

4 (e) The term "law enforcement officer" also includes a person
5 employed on or after January 1, 1993, as a public safety officer or
6 director of public safety, so long as the job duties substantially
7 involve only either police or fire duties, or both, and no other duties
8 in a city or town with a population of less than ten thousand. The
9 provisions of this subsection (3)(e) shall not apply to any public
10 safety officer or director of public safety who is receiving a
11 retirement allowance under this chapter as of May 12, 1993.

12 (4) "Fire fighter" means:

13 (a) Any person who is serving on a full time, fully compensated
14 basis as a member of a fire department of an employer and who is
15 serving in a position which requires passing a civil service
16 examination for fire fighter, and who is actively employed as such;

17 (b) Anyone who is actively employed as a full time fire fighter
18 where the fire department does not have a civil service examination;

19 (c) Supervisory fire fighter personnel;

20 (d) Any full time executive secretary of an association of fire
21 protection districts authorized under RCW 52.12.031. The provisions of
22 this subsection (4)(d) shall not apply to plan 2 members;

23 (e) The executive secretary of a labor guild, association or
24 organization (which is an employer under RCW 41.26.030(2) as now or
25 hereafter amended), if such individual has five years previous
26 membership in a retirement system established in chapter 41.16 or 41.18
27 RCW. The provisions of this subsection (4)(e) shall not apply to plan
28 2 members;

29 (f) Any person who is serving on a full time, fully compensated
30 basis for an employer, as a fire dispatcher, in a department in which,
31 on March 1, 1970, a dispatcher was required to have passed a civil
32 service examination for fire fighter; and

33 (g) Any person who on March 1, 1970, was employed on a full time,
34 fully compensated basis by an employer, and who on May 21, 1971, was
35 making retirement contributions under the provisions of chapter 41.16
36 or 41.18 RCW.

37 (5) "Department" means the department of retirement systems created
38 in chapter 41.50 RCW.

1 (6) "Surviving spouse" means the surviving widow or widower of a
2 member. "Surviving spouse" shall not include the divorced spouse of a
3 member except as provided in RCW 41.26.162.

4 (7) (a) "Child" or "children" means an unmarried person who is under
5 the age of eighteen or mentally or physically handicapped as determined
6 by the department, except a handicapped person in the full time care of
7 a state institution, who is:

8 (i) A natural born child;

9 (ii) A stepchild where that relationship was in existence prior to
10 the date benefits are payable under this chapter;

11 (iii) A posthumous child;

12 (iv) A child legally adopted or made a legal ward of a member prior
13 to the date benefits are payable under this chapter; or

14 (v) An illegitimate child legitimized prior to the date any
15 benefits are payable under this chapter.

16 (b) A person shall also be deemed to be a child up to and including
17 the age of twenty years and eleven months while attending any high
18 school, college, or vocational or other educational institution
19 accredited, licensed, or approved by the state, in which it is located,
20 including the summer vacation months and all other normal and regular
21 vacation periods at the particular educational institution after which
22 the child returns to school.

23 (8) "Member" means any fire fighter, law enforcement officer, or
24 other person as would apply under subsections (3) or (4) of this
25 section whose membership is transferred to the Washington law
26 enforcement officers' and fire fighters' retirement system on or after
27 March 1, 1970, and every law enforcement officer and fire fighter who
28 is employed in that capacity on or after such date.

29 (9) "Retirement fund" means the "Washington law enforcement
30 officers' and fire fighters' retirement system fund" as provided for
31 herein.

32 (10) "Employee" means any law enforcement officer or fire fighter
33 as defined in subsections (3) and (4) of this section.

34 (11) (a) "Beneficiary" for plan 1 members, means any person in
35 receipt of a retirement allowance, disability allowance, death benefit,
36 or any other benefit described herein.

37 (b) "Beneficiary" for plan 2 members, means any person in receipt

1 of a retirement allowance or other benefit provided by this chapter
2 resulting from service rendered to an employer by another person.

3 (12)(a) "Final average salary" for plan 1 members, means (i) for a
4 member holding the same position or rank for a minimum of twelve months
5 preceding the date of retirement, the basic salary attached to such
6 same position or rank at time of retirement; (ii) for any other member,
7 including a civil service member who has not served a minimum of twelve
8 months in the same position or rank preceding the date of retirement,
9 the average of the greatest basic salaries payable to such member
10 during any consecutive twenty-four month period within such member's
11 last ten years of service for which service credit is allowed, computed
12 by dividing the total basic salaries payable to such member during the
13 selected twenty-four month period by twenty-four; (iii) in the case of
14 disability of any member, the basic salary payable to such member at
15 the time of disability retirement; (iv) in the case of a member who
16 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to
17 such member at the time of vesting.

18 (b) "Final average salary" for plan 2 members, means the monthly
19 average of the member's basic salary for the highest consecutive sixty
20 service credit months of service prior to such member's retirement,
21 termination, or death. Periods constituting authorized unpaid leaves
22 of absence may not be used in the calculation of final average salary.

23 (13)(a) "Basic salary" for plan 1 members, means the basic monthly
24 rate of salary or wages, including longevity pay but not including
25 overtime earnings or special salary or wages, upon which pension or
26 retirement benefits will be computed and upon which employer
27 contributions and salary deductions will be based.

28 (b) "Basic salary" for plan 2 members, means salaries or wages
29 earned by a member during a payroll period for personal services,
30 including overtime payments, and shall include wages and salaries
31 deferred under provisions established pursuant to sections 403(b),
32 414(h), and 457 of the United States Internal Revenue Code, but shall
33 exclude lump sum payments for deferred annual sick leave, unused
34 accumulated vacation, unused accumulated annual leave, or any form of
35 severance pay. In any year in which a member serves in the legislature
36 the member shall have the option of having such member's basic salary
37 be the greater of:

1 (i) The basic salary the member would have received had such member
2 not served in the legislature; or

3 (ii) Such member's actual basic salary received for nonlegislative
4 public employment and legislative service combined. Any additional
5 contributions to the retirement system required because basic salary
6 under (b)(i) of this subsection is greater than basic salary under
7 (b)(ii) of this subsection shall be paid by the member for both member
8 and employer contributions.

9 (14)(a) "Service" for plan 1 members, means all periods of
10 employment for an employer as a fire fighter or law enforcement
11 officer, for which compensation is paid, together with periods of
12 suspension not exceeding thirty days in duration. For the purposes of
13 this chapter service shall also include service in the armed forces of
14 the United States as provided in RCW 41.26.190. Credit shall be
15 allowed for all service credit months of service rendered by a member
16 from and after the member's initial commencement of employment as a
17 fire fighter or law enforcement officer, during which the member worked
18 for seventy or more hours, or was on disability leave or disability
19 retirement. Only service credit months of service shall be counted in
20 the computation of any retirement allowance or other benefit provided
21 for in this chapter.

22 (i) For members retiring after May 21, 1971 who were employed under
23 the coverage of a prior pension act before March 1, 1970, "service"
24 shall also include (A) such military service not exceeding five years
25 as was creditable to the member as of March 1, 1970, under the member's
26 particular prior pension act, and (B) such other periods of service as
27 were then creditable to a particular member under the provisions of RCW
28 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit
29 be allowed for any service rendered prior to March 1, 1970, where the
30 member at the time of rendition of such service was employed in a
31 position covered by a prior pension act, unless such service, at the
32 time credit is claimed therefor, is also creditable under the
33 provisions of such prior act.

34 (ii) A member who is employed by two employers at the same time
35 shall only be credited with service to one such employer for any month
36 during which the member rendered such dual service.

37 (b) "Service" for plan 2 members, means periods of employment by a
38 member for one or more employers for which basic salary is earned for

1 ninety or more hours per calendar month which shall constitute a
2 service credit month. Periods of employment by a member for one or
3 more employers for which basic salary is earned for at least seventy
4 hours but less than ninety hours per calendar month shall constitute
5 one-half service credit month. Periods of employment by a member for
6 one or more employers for which basic salary is earned for less than
7 seventy hours shall constitute a one-quarter service credit month.

8 Members of the retirement system who are elected or appointed to a
9 state elective position may elect during a ninety-day period at the
10 beginning of each term of office to continue (~~((to be members of this~~
11 ~~retirement system))~~, resume, or to end membership in the retirement
12 system and if otherwise eligible begin their retirement allowance. A
13 state elected official who chooses to end membership at the beginning
14 of a term of office and begin their retirement allowance shall neither
15 make contributions nor earn service credit for the duration of that
16 term.

17 Service credit years of service shall be determined by dividing the
18 total number of service credit months of service by twelve. Any
19 fraction of a service credit year of service as so determined shall be
20 taken into account in the computation of such retirement allowance or
21 benefits.

22 If a member receives basic salary from two or more employers during
23 any calendar month, the individual shall receive one service credit
24 month's service credit during any calendar month in which multiple
25 service for ninety or more hours is rendered; or one-half service
26 credit month's service credit during any calendar month in which
27 multiple service for at least seventy hours but less than ninety hours
28 is rendered; or one-quarter service credit month during any calendar
29 month in which multiple service for less than seventy hours is
30 rendered.

31 (15) "Accumulated contributions" means the employee's contributions
32 made by a member, including any amount paid under RCW 41.50.165(2),
33 plus accrued interest credited thereon.

34 (16) "Actuarial reserve" means a method of financing a pension or
35 retirement plan wherein reserves are accumulated as the liabilities for
36 benefit payments are incurred in order that sufficient funds will be
37 available on the date of retirement of each member to pay the member's
38 future benefits during the period of retirement.

1 (17) "Actuarial valuation" means a mathematical determination of
2 the financial condition of a retirement plan. It includes the
3 computation of the present monetary value of benefits payable to
4 present members, and the present monetary value of future employer and
5 employee contributions, giving effect to mortality among active and
6 retired members and also to the rates of disability, retirement,
7 withdrawal from service, salary and interest earned on investments.

8 (18) "Disability board" for plan 1 members means either the county
9 disability board or the city disability board established in RCW
10 41.26.110.

11 (19) "Disability leave" means the period of six months or any
12 portion thereof during which a member is on leave at an allowance equal
13 to the member's full salary prior to the commencement of disability
14 retirement. The definition contained in this subsection shall apply
15 only to plan 1 members.

16 (20) "Disability retirement" for plan 1 members, means the period
17 following termination of a member's disability leave, during which the
18 member is in receipt of a disability retirement allowance.

19 (21) "Position" means the employment held at any particular time,
20 which may or may not be the same as civil service rank.

21 (22) "Medical services" for plan 1 members, shall include the
22 following as minimum services to be provided. Reasonable charges for
23 these services shall be paid in accordance with RCW 41.26.150.

24 (a) Hospital expenses: These are the charges made by a hospital,
25 in its own behalf, for

26 (i) Board and room not to exceed semiprivate room rate unless
27 private room is required by the attending physician due to the
28 condition of the patient.

29 (ii) Necessary hospital services, other than board and room,
30 furnished by the hospital.

31 (b) Other medical expenses: The following charges are considered
32 "other medical expenses", provided that they have not been considered
33 as "hospital expenses".

34 (i) The fees of the following:

35 (A) A physician or surgeon licensed under the provisions of chapter
36 18.71 RCW;

37 (B) An osteopathic physician and surgeon licensed under the
38 provisions of chapter 18.57 RCW;

(C) A chiropractor licensed under the provisions of chapter 18.25 RCW.

(ii) The charges of a registered graduate nurse other than a nurse who ordinarily resides in the member's home, or is a member of the family of either the member or the member's spouse.

(iii) The charges for the following medical services and supplies:

(A) Drugs and medicines upon a physician's prescription;

(B) Diagnostic x-ray and laboratory examinations;

(C) X-ray, radium, and radioactive isotopes therapy;

(D) Anesthesia and oxygen;

(E) Rental of iron lung and other durable medical and surgical equipment;

(F) Artificial limbs and eyes, and casts, splints, and trusses;

(G) Professional ambulance service when used to transport the member to or from a hospital when injured by an accident or stricken by a disease;

(H) Dental charges incurred by a member who sustains an accidental injury to his or her teeth and who commences treatment by a legally licensed dentist within ninety days after the accident;

(I) Nursing home confinement or hospital extended care facility;

(J) Physical therapy by a registered physical therapist;

(K) Blood transfusions, including the cost of blood and blood plasma not replaced by voluntary donors;

(L) An optometrist licensed under the provisions of chapter 18.53 RCW.

(23) "Regular interest" means such rate as the director may determine.

(24) "Retiree" for persons who establish membership in the retirement system on or after October 1, 1977, means any member in receipt of a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer by such member.

(25) "Director" means the director of the department.

(26) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(27) "State elective position" means any position held by any person elected or appointed to statewide office or elected or appointed as a member of the legislature.

1 (28) "Plan 1" means the law enforcement officers' and fire
2 fighters' retirement system, plan 1 providing the benefits and funding
3 provisions covering persons who first became members of the system
4 prior to October 1, 1977.

5 (29) "Plan 2" means the law enforcement officers' and fire
6 fighters' retirement system, plan 2 providing the benefits and funding
7 provisions covering persons who first became members of the system on
8 and after October 1, 1977.

9 (30) "Service credit year" means an accumulation of months of
10 service credit which is equal to one when divided by twelve.

11 (31) "Service credit month" means a full service credit month or an
12 accumulation of partial service credit months that are equal to one.

13 (32) "General authority law enforcement agency" means any agency,
14 department, or division of a municipal corporation, political
15 subdivision, or other unit of local government of this state, and any
16 agency, department, or division of state government, having as its
17 primary function the detection and apprehension of persons committing
18 infractions or violating the traffic or criminal laws in general, but
19 not including the Washington state patrol or the department of fish and
20 wildlife. Such an agency, department, or division is distinguished
21 from a limited authority law enforcement agency having as one of its
22 functions the apprehension or detection of persons committing
23 infractions or violating the traffic or criminal laws relating to
24 limited subject areas, including but not limited to, the state
25 departments of natural resources and social and health services, the
26 state gambling commission, the state lottery commission, the state
27 parks and recreation commission, the state utilities and transportation
28 commission, the state liquor control board, and the state department of
29 corrections.

30 **Sec. 2.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
31 as follows:

32 As used in this chapter, unless a different meaning is plainly
33 required by the context:

34 (1)(a) "Accumulated contributions" for plan 1 members, means the
35 sum of all regular annuity contributions and, except for the purpose of
36 withdrawal at the time of retirement, any amount paid under RCW
37 41.50.165(2) with regular interest thereon.

1 (b) "Accumulated contributions" for plan 2 members, means the sum
2 of all contributions standing to the credit of a member in the member's
3 individual account, including any amount paid under RCW 41.50.165(2),
4 together with the regular interest thereon.

5 (2) "Actuarial equivalent" means a benefit of equal value when
6 computed upon the basis of such mortality tables and regulations as
7 shall be adopted by the director and regular interest.

8 (3) "Annuity" means the moneys payable per year during life by
9 reason of accumulated contributions of a member.

10 (4) "Member reserve" means the fund in which all of the accumulated
11 contributions of members are held.

12 (5)(a) "Beneficiary" for plan 1 members, means any person in
13 receipt of a retirement allowance or other benefit provided by this
14 chapter.

15 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
16 in receipt of a retirement allowance or other benefit provided by this
17 chapter resulting from service rendered to an employer by another
18 person.

19 (6) "Contract" means any agreement for service and compensation
20 between a member and an employer.

21 (7) "Creditable service" means membership service plus prior
22 service for which credit is allowable. This subsection shall apply
23 only to plan 1 members.

24 (8) "Dependent" means receiving one-half or more of support from a
25 member.

26 (9) "Disability allowance" means monthly payments during
27 disability. This subsection shall apply only to plan 1 members.

28 (10)(a) "Earnable compensation" for plan 1 members, means:

29 (i) All salaries and wages paid by an employer to an employee
30 member of the retirement system for personal services rendered during
31 a fiscal year. In all cases where compensation includes maintenance
32 the employer shall fix the value of that part of the compensation not
33 paid in money.

34 (ii) "Earnable compensation" for plan 1 members also includes the
35 following actual or imputed payments, which are not paid for personal
36 services:

37 (A) Retroactive payments to an individual by an employer on
38 reinstatement of the employee in a position, or payments by an employer

1 to an individual in lieu of reinstatement in a position which are
2 awarded or granted as the equivalent of the salary or wages which the
3 individual would have earned during a payroll period shall be
4 considered earnable compensation and the individual shall receive the
5 equivalent service credit.

6 (B) If a leave of absence, without pay, is taken by a member for
7 the purpose of serving as a member of the state legislature, and such
8 member has served in the legislature five or more years, the salary
9 which would have been received for the position from which the leave of
10 absence was taken shall be considered as compensation earnable if the
11 employee's contribution thereon is paid by the employee. In addition,
12 where a member has been a member of the state legislature for five or
13 more years, earnable compensation for the member's two highest
14 compensated consecutive years of service shall include a sum not to
15 exceed thirty-six hundred dollars for each of such two consecutive
16 years, regardless of whether or not legislative service was rendered
17 during those two years.

18 (iii) For members employed less than full time under written
19 contract with a school district, or community college district, in an
20 instructional position, for which the member receives service credit of
21 less than one year in all of the years used to determine the earnable
22 compensation used for computing benefits due under RCW 41.32.497,
23 41.32.498, and 41.32.520, the member may elect to have earnable
24 compensation defined as provided in RCW 41.32.345. For the purposes of
25 this subsection, the term "instructional position" means a position in
26 which more than seventy-five percent of the member's time is spent as
27 a classroom instructor (including office hours), a librarian, or a
28 counselor. Earnable compensation shall be so defined only for the
29 purpose of the calculation of retirement benefits and only as necessary
30 to insure that members who receive fractional service credit under RCW
31 41.32.270 receive benefits proportional to those received by members
32 who have received full-time service credit.

33 (iv) "Earnable compensation" does not include:

34 (A) Remuneration for unused sick leave authorized under RCW
35 41.04.340, 28A.400.210, or 28A.310.490;

36 (B) Remuneration for unused annual leave in excess of thirty days
37 as authorized by RCW 43.01.044 and 43.01.041.

1 (b) "Earnable compensation" for plan 2 and plan 3 members, means
2 salaries or wages earned by a member during a payroll period for
3 personal services, including overtime payments, and shall include wages
4 and salaries deferred under provisions established pursuant to sections
5 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
6 shall exclude lump sum payments for deferred annual sick leave, unused
7 accumulated vacation, unused accumulated annual leave, or any form of
8 severance pay.

9 "Earnable compensation" for plan 2 and plan 3 members also includes
10 the following actual or imputed payments which, except in the case of
11 (b)(ii)(B) of this subsection, are not paid for personal services:

12 (i) Retroactive payments to an individual by an employer on
13 reinstatement of the employee in a position or payments by an employer
14 to an individual in lieu of reinstatement in a position which are
15 awarded or granted as the equivalent of the salary or wages which the
16 individual would have earned during a payroll period shall be
17 considered earnable compensation, to the extent provided above, and the
18 individual shall receive the equivalent service credit.

19 (ii) In any year in which a member serves in the legislature the
20 member shall have the option of having such member's earnable
21 compensation be the greater of:

22 (A) The earnable compensation the member would have received had
23 such member not served in the legislature; or

24 (B) Such member's actual earnable compensation received for
25 teaching and legislative service combined. Any additional
26 contributions to the retirement system required because compensation
27 earnable under (b)(ii)(A) of this subsection is greater than
28 compensation earnable under (b)(ii)(B) of this subsection shall be paid
29 by the member for both member and employer contributions.

30 (11) "Employer" means the state of Washington, the school district,
31 or any agency of the state of Washington by which the member is paid.

32 (12) "Fiscal year" means a year which begins July 1st and ends June
33 30th of the following year.

34 (13) "Former state fund" means the state retirement fund in
35 operation for teachers under chapter 187, Laws of 1923, as amended.

36 (14) "Local fund" means any of the local retirement funds for
37 teachers operated in any school district in accordance with the
38 provisions of chapter 163, Laws of 1917 as amended.

1 (15) "Member" means any teacher included in the membership of the
2 retirement system. Also, any other employee of the public schools who,
3 on July 1, 1947, had not elected to be exempt from membership and who,
4 prior to that date, had by an authorized payroll deduction, contributed
5 to the member reserve.

6 (16) "Membership service" means service rendered subsequent to the
7 first day of eligibility of a person to membership in the retirement
8 system: PROVIDED, That where a member is employed by two or more
9 employers the individual shall receive no more than one service credit
10 month during any calendar month in which multiple service is rendered.
11 The provisions of this subsection shall apply only to plan 1 members.

12 (17) "Pension" means the moneys payable per year during life from
13 the pension reserve.

14 (18) "Pension reserve" is a fund in which shall be accumulated an
15 actuarial reserve adequate to meet present and future pension
16 liabilities of the system and from which all pension obligations are to
17 be paid.

18 (19) "Prior service" means service rendered prior to the first date
19 of eligibility to membership in the retirement system for which credit
20 is allowable. The provisions of this subsection shall apply only to
21 plan 1 members.

22 (20) "Prior service contributions" means contributions made by a
23 member to secure credit for prior service. The provisions of this
24 subsection shall apply only to plan 1 members.

25 (21) "Public school" means any institution or activity operated by
26 the state of Washington or any instrumentality or political subdivision
27 thereof employing teachers, except the University of Washington and
28 Washington State University.

29 (22) "Regular contributions" means the amounts required to be
30 deducted from the compensation of a member and credited to the member's
31 individual account in the member reserve. This subsection shall apply
32 only to plan 1 members.

33 (23) "Regular interest" means such rate as the director may
34 determine.

35 (24) (a) "Retirement allowance" for plan 1 members, means monthly
36 payments based on the sum of annuity and pension, or any optional
37 benefits payable in lieu thereof.

1 (b) "Retirement allowance" for plan 2 and plan 3 members, means
2 monthly payments to a retiree or beneficiary as provided in this
3 chapter.

4 (25) "Retirement system" means the Washington state teachers'
5 retirement system.

6 (26)(a) "Service" for plan 1 members means the time during which a
7 member has been employed by an employer for compensation.

8 (i) If a member is employed by two or more employers the individual
9 shall receive no more than one service credit month during any calendar
10 month in which multiple service is rendered.

11 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
12 sick leave may be creditable as service solely for the purpose of
13 determining eligibility to retire under RCW 41.32.470.

14 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
15 state retirement system that covers teachers in public schools may be
16 applied solely for the purpose of determining eligibility to retire
17 under RCW 41.32.470.

18 (b) "Service" for plan 2 and plan 3 members, means periods of
19 employment by a member for one or more employers for which earnable
20 compensation is earned subject to the following conditions:

21 (i) A member employed in an eligible position or as a substitute
22 shall receive one service credit month for each month of September
23 through August of the following year if he or she earns earnable
24 compensation for eight hundred ten or more hours during that period and
25 is employed during nine of those months, except that a member may not
26 receive credit for any period prior to the member's employment in an
27 eligible position except as provided in RCW 41.32.812 and 41.50.132;

28 (ii) If a member is employed either in an eligible position or as
29 a substitute teacher for nine months of the twelve month period between
30 September through August of the following year but earns earnable
31 compensation for less than eight hundred ten hours but for at least six
32 hundred thirty hours, he or she will receive one-half of a service
33 credit month for each month of the twelve month period;

34 (iii) All other members in an eligible position or as a substitute
35 teacher shall receive service credit as follows:

36 (A) A service credit month is earned in those calendar months where
37 earnable compensation is earned for ninety or more hours;

1 (B) A half-service credit month is earned in those calendar months
2 where earnable compensation is earned for at least seventy hours but
3 less than ninety hours; and

4 (C) A quarter-service credit month is earned in those calendar
5 months where earnable compensation is earned for less than seventy
6 hours ~~((-))~~;

7 (iv) Any person who is a member of the teachers' retirement system
8 and who is elected or appointed to a state elective position may
9 continue to be a member of the retirement system and continue to
10 receive a service credit month for each of the months in a state
11 elective position by making the required member contributions ~~((-))~~;

12 (v) Any person who is a member of the teachers' retirement system
13 plan 2 or plan 3 and who is elected or appointed to a state elective
14 position has the option during a ninety-day period at the beginning of
15 each term of office either to resume membership or to end membership in
16 the retirement system and if otherwise eligible begin their retirement
17 allowance. A state elected official who chooses to end membership at
18 the beginning of a term of office and begin their retirement allowance
19 shall neither make contributions nor earn service credit for the
20 duration of that term;

21 (vi) When an individual is employed by two or more employers the
22 individual shall only receive one month's service credit during any
23 calendar month in which multiple service for ninety or more hours is
24 rendered ~~((-))~~;

25 ~~((-vi))~~ (vii) As authorized by RCW 28A.400.300, up to forty-five
26 days of sick leave may be creditable as service solely for the purpose
27 of determining eligibility to retire under RCW 41.32.470. For purposes
28 of plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is
29 equal to two service credit months. Use of less than forty-five days
30 of sick leave is creditable as allowed under this subsection as
31 follows:

32 (A) Less than eleven days equals one-quarter service credit month;

33 (B) Eleven or more days but less than twenty-two days equals one-
34 half service credit month;

35 (C) Twenty-two days equals one service credit month;

36 (D) More than twenty-two days but less than thirty-three days
37 equals one and one-quarter service credit month; and

1 (E) Thirty-three or more days but less than forty-five days equals
2 one and one-half service credit month(~~(F)~~);

3 (~~(vii)~~) (viii) As authorized in RCW 41.32.065, service earned in
4 an out-of-state retirement system that covers teachers in public
5 schools may be applied solely for the purpose of determining
6 eligibility to retire under RCW 41.32.470(~~(F)~~);

7 (~~(viii)~~) (ix) The department shall adopt rules implementing this
8 subsection.

9 (27) "Service credit year" means an accumulation of months of
10 service credit which is equal to one when divided by twelve.

11 (28) "Service credit month" means a full service credit month or an
12 accumulation of partial service credit months that are equal to one.

13 (29) "Teacher" means any person qualified to teach who is engaged
14 by a public school in an instructional, administrative, or supervisory
15 capacity. The term includes state, educational service district, and
16 school district superintendents and their assistants and all employees
17 certificated by the superintendent of public instruction; and in
18 addition thereto any full time school doctor who is employed by a
19 public school and renders service of an instructional or educational
20 nature.

21 (30) "Average final compensation" for plan 2 and plan 3 members,
22 means the member's average earnable compensation of the highest
23 consecutive sixty service credit months prior to such member's
24 retirement, termination, or death. Periods constituting authorized
25 leaves of absence may not be used in the calculation of average final
26 compensation except under RCW 41.32.810(2).

27 (31) "Retiree" means any person who has begun accruing a retirement
28 allowance or other benefit provided by this chapter resulting from
29 service rendered to an employer while a member.

30 (32) "Department" means the department of retirement systems
31 created in chapter 41.50 RCW.

32 (33) "Director" means the director of the department.

33 (34) "State elective position" means any position held by any
34 person elected or appointed to statewide office or elected or appointed
35 as a member of the legislature.

36 (35) "State actuary" or "actuary" means the person appointed
37 pursuant to RCW 44.44.010(2).

38 (36) "Substitute teacher" means:

1 (a) A teacher who is hired by an employer to work as a temporary
2 teacher, except for teachers who are annual contract employees of an
3 employer and are guaranteed a minimum number of hours; or

4 (b) Teachers who either (i) work in ineligible positions for more
5 than one employer or (ii) work in an ineligible position or positions
6 together with an eligible position.

7 (37) (a) "Eligible position" for plan 2 members from June 7, 1990,
8 through September 1, 1991, means a position which normally requires two
9 or more uninterrupted months of creditable service during September
10 through August of the following year.

11 (b) "Eligible position" for plan 2 and plan 3 on and after
12 September 1, 1991, means a position that, as defined by the employer,
13 normally requires five or more months of at least seventy hours of
14 earnable compensation during September through August of the following
15 year.

16 (c) For purposes of this chapter an employer shall not define
17 "position" in such a manner that an employee's monthly work for that
18 employer is divided into more than one position.

19 (d) The elected position of the superintendent of public
20 instruction is an eligible position.

21 (38) "Plan 1" means the teachers' retirement system, plan 1
22 providing the benefits and funding provisions covering persons who
23 first became members of the system prior to October 1, 1977.

24 (39) "Plan 2" means the teachers' retirement system, plan 2
25 providing the benefits and funding provisions covering persons who
26 first became members of the system on and after October 1, 1977, and
27 prior to July 1, 1996.

28 (40) "Plan 3" means the teachers' retirement system, plan 3
29 providing the benefits and funding provisions covering persons who
30 first become members of the system on and after July 1, 1996, or who
31 transfer under RCW 41.32.817.

32 (41) "Index" means, for any calendar year, that year's annual
33 average consumer price index, Seattle, Washington area, for urban wage
34 earners and clerical workers, all items compiled by the bureau of labor
35 statistics, United States department of labor.

36 (42) "Index A" means the index for the year prior to the
37 determination of a postretirement adjustment.

38 (43) "Index B" means the index for the year prior to index A.

1 (44) "Index year" means the earliest calendar year in which the
2 index is more than sixty percent of index A.

3 (45) "Adjustment ratio" means the value of index A divided by index
4 B.

5 (46) "Annual increase" means, initially, fifty-nine cents per month
6 per year of service which amount shall be increased each July 1st by
7 three percent, rounded to the nearest cent.

8 (47) "Member account" or "member's account" for purposes of plan 3
9 means the sum of the contributions and earnings on behalf of the member
10 in the defined contribution portion of plan 3.

11 (48) "Separation from service or employment" occurs when a person
12 has terminated all employment with an employer.

13 (49) "Employed" or "employee" means a person who is providing
14 services for compensation to an employer, unless the person is free
15 from the employer's direction and control over the performance of work.
16 The department shall adopt rules and interpret this subsection
17 consistent with common law.

18 **Sec. 3.** RCW 41.32.263 and 1991 c 35 s 41 are each amended to read
19 as follows:

20 A member of the retirement system who is a member of the state
21 legislature or a state official eligible for the combined pension and
22 annuity provided by RCW 41.32.497, or 41.32.498, as now or hereafter
23 amended shall have deductions taken from his or her salary in the
24 amount of seven and one-half percent of earnable compensation and that
25 service credit shall be established with the retirement system while
26 such deductions are reported to the retirement system, unless he or she
27 has by reason of his or her employment become a contributing member of
28 another public retirement system in the state of Washington. Such
29 elected official who has retired or otherwise terminated his or her
30 public school service may then elect to terminate his or her membership
31 in the retirement system and receive retirement benefits while
32 continuing to serve as an elected official. A member of the retirement
33 system who had previous service as an elected or appointed official,
34 for which he or she did not contribute to the retirement system, may
35 receive credit for such legislative service unless he or she has
36 received credit for that service in another state retirement system,

1 upon making contributions in such amounts as shall be determined by the
2 (~~board of trustees~~) director.

3 **Sec. 4.** RCW 41.35.030 and 1998 c 341 s 4 are each amended to read
4 as follows:

5 Membership in the retirement system shall consist of all regularly
6 compensated classified employees and appointive and elective officials
7 of employers, as defined in this chapter, with the following
8 exceptions:

9 (1) Persons in ineligible positions;

10 (2) (a) Persons holding elective offices or persons appointed
11 directly by the governor: PROVIDED, That such persons shall have the
12 option of applying for membership during such periods of employment:
13 AND PROVIDED FURTHER, That any persons holding or who have held
14 elective offices or persons appointed by the governor who are members
15 in the retirement system and who have, prior to becoming such members,
16 previously held an elective office, and did not at the start of such
17 initial or successive terms of office exercise their option to become
18 members, may apply for membership to be effective during such term or
19 terms of office, and shall be allowed to establish the service credit
20 applicable to such term or terms of office upon payment of the employee
21 contributions therefor by the employee with interest as determined by
22 the director and employer contributions therefor by the employer or
23 employee with interest as determined by the director: AND PROVIDED
24 FURTHER, That all contributions with interest submitted by the employee
25 under this subsection shall be placed in the employee's individual
26 account in the employee's savings fund and be treated as any other
27 contribution made by the employee, with the exception that any
28 contributions submitted by the employee in payment of the employer's
29 obligation, together with the interest the director may apply to the
30 employer's contribution, shall not be considered part of the member's
31 annuity for any purpose except withdrawal of contributions;

32 (b) A member holding elective office who has elected to apply for
33 membership pursuant to (a) of this subsection and who later wishes to
34 be eligible for a retirement allowance shall have the option of ending
35 his or her membership in the retirement system. A member wishing to
36 end his or her membership under this subsection must file on a form
37 supplied by the department a statement indicating that the member

1 agrees to irrevocably abandon any claim for service for future periods
2 served as an elected official. Except for members in state elective
3 positions, a member who receives more than fifteen thousand dollars per
4 year in compensation for his or her elective service, adjusted annually
5 for inflation by the director, is not eligible for the option provided
6 by this subsection (2)(b). A member in a state elective position may
7 apply to end his or her membership and be eligible for a retirement
8 allowance during a ninety-day period at the beginning of each term of
9 office regardless of the compensation they receive for elective
10 service;

11 (3) Retirement system retirees: PROVIDED, That following
12 reemployment in an eligible position, a retiree may elect to
13 prospectively become a member of the retirement system if otherwise
14 eligible;

15 (4) Persons enrolled in state-approved apprenticeship programs,
16 authorized under chapter 49.04 RCW, and who are employed by employers
17 to earn hours to complete such apprenticeship programs, if the employee
18 is a member of a union-sponsored retirement plan and is making
19 contributions to such a retirement plan or if the employee is a member
20 of a Taft-Hartley retirement plan;

21 (5) Persons rendering professional services to an employer on a
22 fee, retainer, or contract basis or when the income from these services
23 is less than fifty percent of the gross income received from the
24 person's practice of a profession;

25 (6) Employees who (a) are not citizens of the United States, (b) do
26 not reside in the United States, and (c) perform duties outside of the
27 United States;

28 (7) Employees who (a) are not citizens of the United States, (b)
29 are not covered by chapter 41.48 RCW, (c) are not excluded from
30 membership under this chapter or chapter 41.04 RCW, (d) are residents
31 of this state, and (e) make an irrevocable election to be excluded from
32 membership, in writing, which is submitted to the director within
33 thirty days after employment in an eligible position;

34 (8) Employees who are citizens of the United States and who reside
35 and perform duties for an employer outside of the United States:

36 PROVIDED, That unless otherwise excluded under this chapter or chapter
37 41.04 RCW, the employee may apply for membership (a) within thirty days
38 after employment in an eligible position and membership service credit

1 shall be granted from the first day of membership service, and (b)
2 after this thirty-day period, but membership service credit shall be
3 granted only if payment is made for the noncredited membership service
4 under RCW 41.50.165(2), otherwise service shall be from the date of
5 application.

6 **Sec. 5.** RCW 41.40.023 and 2001 c 37 s 1 are each amended to read
7 as follows:

8 Membership in the retirement system shall consist of all regularly
9 compensated employees and appointive and elective officials of
10 employers, as defined in this chapter, with the following exceptions:

11 (1) Persons in ineligible positions;

12 (2) Employees of the legislature except the officers thereof
13 elected by the members of the senate and the house and legislative
14 committees, unless membership of such employees be authorized by the
15 said committee;

16 (3) (a) Persons holding elective offices or persons appointed
17 directly by the governor: PROVIDED, That such persons shall have the
18 option of applying for membership during such periods of employment:
19 AND PROVIDED FURTHER, That any persons holding or who have held
20 elective offices or persons appointed by the governor who are members
21 in the retirement system and who have, prior to becoming such members,
22 previously held an elective office, and did not at the start of such
23 initial or successive terms of office exercise their option to become
24 members, may apply for membership to be effective during such term or
25 terms of office, and shall be allowed to establish the service credit
26 applicable to such term or terms of office upon payment of the employee
27 contributions therefor by the employee with interest as determined by
28 the director and employer contributions therefor by the employer or
29 employee with interest as determined by the director: AND PROVIDED
30 FURTHER, That all contributions with interest submitted by the employee
31 under this subsection shall be placed in the employee's individual
32 account in the employee's savings fund and be treated as any other
33 contribution made by the employee, with the exception that any
34 contributions submitted by the employee in payment of the employer's
35 obligation, together with the interest the director may apply to the
36 employer's contribution, shall not be considered part of the member's
37 annuity for any purpose except withdrawal of contributions;

1 (b) A member holding elective office who has elected to apply for
2 membership pursuant to (a) of this subsection and who later wishes to
3 be eligible for a retirement allowance shall have the option of ending
4 his or her membership in the retirement system. A member wishing to
5 end his or her membership under this subsection must file, on a form
6 supplied by the department, a statement indicating that the member
7 agrees to irrevocably abandon any claim for service for future periods
8 served as an elected official. Except for members in state elective
9 positions, a member who receives more than fifteen thousand dollars per
10 year in compensation for his or her elective service, adjusted annually
11 for inflation by the director, is not eligible for the option provided
12 by this subsection (3) (b). A member in a state elective position may
13 apply to end his or her membership and be eligible for a retirement
14 allowance during a ninety-day period at the beginning of each term of
15 office regardless of the compensation they receive for elective
16 service;

17 (4) Employees holding membership in, or receiving pension benefits
18 under, any retirement plan operated wholly or in part by an agency of
19 the state or political subdivision thereof, or who are by reason of
20 their current employment contributing to or otherwise establishing the
21 right to receive benefits from any such retirement plan except as
22 follows:

23 (a) In any case where the retirement system has in existence an
24 agreement with another retirement system in connection with exchange of
25 service credit or an agreement whereby members can retain service
26 credit in more than one system, such an employee shall be allowed
27 membership rights should the agreement so provide;

28 (b) An employee shall be allowed membership if otherwise eligible
29 while receiving survivor's benefits;

30 (c) An employee shall not either before or after June 7, 1984, be
31 excluded from membership or denied service credit pursuant to this
32 subsection solely on account of: (i) Membership in the plan created
33 under chapter 2.14 RCW; or (ii) enrollment under the relief and
34 compensation provisions or the pension provisions of the volunteer fire
35 fighters' relief and pension fund under chapter 41.24 RCW;

36 (d) Except as provided in RCW 41.40.109, on or after July 25, 1999,
37 an employee shall not be excluded from membership or denied service

1 credit pursuant to this subsection solely on account of participation
2 in a defined contribution pension plan qualified under section 401 of
3 the internal revenue code;

4 (e) Employees who have been reported in the retirement system prior
5 to July 25, 1999, and who participated during the same period of time
6 in a defined contribution pension plan qualified under section 401 of
7 the internal revenue code and operated wholly or in part by the
8 employer, shall not be excluded from previous retirement system
9 membership and service credit on account of such participation;

10 (5) Patient and inmate help in state charitable, penal, and
11 correctional institutions;

12 (6) "Members" of a state veterans' home or state soldiers' home;

13 (7) Persons employed by an institution of higher learning or
14 community college, primarily as an incident to and in furtherance of
15 their education or training, or the education or training of a spouse;

16 (8) Employees of an institution of higher learning or community
17 college during the period of service necessary to establish eligibility
18 for membership in the retirement plans operated by such institutions;

19 (9) Persons rendering professional services to an employer on a
20 fee, retainer, or contract basis or when the income from these services
21 is less than fifty percent of the gross income received from the
22 person's practice of a profession;

23 (10) Persons appointed after April 1, 1963, by the liquor control
24 board as agency vendors;

25 (11) Employees of a labor guild, association, or organization:
26 PROVIDED, That elective officials and employees of a labor guild,
27 association, or organization which qualifies as an employer within this
28 chapter shall have the option of applying for membership;

29 (12) Retirement system retirees: PROVIDED, That following
30 reemployment in an eligible position, a retiree may elect to
31 prospectively become a member of the retirement system if otherwise
32 eligible;

33 (13) Persons employed by or appointed or elected as an official of
34 a first class city that has its own retirement system: PROVIDED, That
35 any member elected or appointed to an elective office on or after April
36 1, 1971, shall have the option of continuing as a member of this system
37 in lieu of becoming a member of the city system. A member who elects
38 to continue as a member of this system shall pay the appropriate member

1 contributions and the city shall pay the employer contributions at the
2 rates prescribed by this chapter. The city shall also transfer to this
3 system all of such member's accumulated contributions together with
4 such further amounts as necessary to equal all employee and employer
5 contributions which would have been paid into this system on account of
6 such service with the city and thereupon the member shall be granted
7 credit for all such service. Any city that becomes an employer as
8 defined in RCW 41.40.010(4) as the result of an individual's election
9 under this subsection shall not be required to have all employees
10 covered for retirement under the provisions of this chapter. Nothing
11 in this subsection shall prohibit a city of the first class with its
12 own retirement system from: (a) Transferring all of its current
13 employees to the retirement system established under this chapter, or
14 (b) allowing newly hired employees the option of continuing coverage
15 under the retirement system established by this chapter.

16 Notwithstanding any other provision of this chapter, persons
17 transferring from employment with a first class city of over four
18 hundred thousand population that has its own retirement system to
19 employment with the state department of agriculture may elect to remain
20 within the retirement system of such city and the state shall pay the
21 employer contributions for such persons at like rates as prescribed for
22 employers of other members of such system;

23 (14) Employees who (a) are not citizens of the United States, (b)
24 do not reside in the United States, and (c) perform duties outside of
25 the United States;

26 (15) Employees who (a) are not citizens of the United States, (b)
27 are not covered by chapter 41.48 RCW, (c) are not excluded from
28 membership under this chapter or chapter 41.04 RCW, (d) are residents
29 of this state, and (e) make an irrevocable election to be excluded from
30 membership, in writing, which is submitted to the director within
31 thirty days after employment in an eligible position;

32 (16) Employees who are citizens of the United States and who reside
33 and perform duties for an employer outside of the United States:

34 PROVIDED, That unless otherwise excluded under this chapter or chapter
35 41.04 RCW, the employee may apply for membership (a) within thirty days
36 after employment in an eligible position and membership service credit
37 shall be granted from the first day of membership service, and (b)
38 after this thirty-day period, but membership service credit shall be

1 granted only if payment is made for the noncredited membership service
2 under RCW 41.50.165(2), otherwise service shall be from the date of
3 application;

4 (17) The city manager or chief administrative officer of a city or
5 town, other than a retiree, who serves at the pleasure of an appointing
6 authority: PROVIDED, That such persons shall have the option of
7 applying for membership within thirty days from date of their
8 appointment to such positions. Persons serving in such positions as of
9 April 4, 1986, shall continue to be members in the retirement system
10 unless they notify the director in writing prior to December 31, 1986,
11 of their desire to withdraw from membership in the retirement system.
12 A member who withdraws from membership in the system under this section
13 shall receive a refund of the member's accumulated contributions.

14 Persons serving in such positions who have not opted for membership
15 within the specified thirty days, may do so by paying the amount
16 required under RCW 41.50.165(2) for the period from the date of their
17 appointment to the date of acceptance into membership;

18 (18) Persons serving as: (a) The chief administrative officer of
19 a public utility district as defined in RCW 54.16.100; (b) the chief
20 administrative officer of a port district formed under chapter 53.04
21 RCW; or (c) the chief administrative officer of a county who serves at
22 the pleasure of an appointing authority: PROVIDED, That such persons
23 shall have the option of applying for membership within thirty days
24 from the date of their appointment to such positions. Persons serving
25 in such positions as of July 25, 1999, shall continue to be members in
26 the retirement system unless they notify the director in writing prior
27 to December 31, 1999, of their desire to withdraw from membership in
28 the retirement system. A member who withdraws from membership in the
29 system under this section shall receive a refund of the member's
30 accumulated contributions upon termination of employment or as
31 otherwise consistent with the plan's tax qualification status as
32 defined in internal revenue code section 401.

33 Persons serving in such positions who have not opted for membership
34 within the specified thirty days, may do so at a later date by paying
35 the amount required under RCW 41.50.165(2) for the period from the date
36 of their appointment to the date of acceptance into membership;

37 (19) Persons enrolled in state-approved apprenticeship programs,
38 authorized under chapter 49.04 RCW, and who are employed by local

1 governments to earn hours to complete such apprenticeship programs, if
2 the employee is a member of a union-sponsored retirement plan and is
3 making contributions to such a retirement plan or if the employee is a
4 member of a Taft-Hartley retirement plan;
5 (20) Beginning on July 22, 2001, persons employed exclusively as
6 trainers or trainees in resident apprentice training programs operated
7 by housing authorities authorized under chapter 35.82 RCW, (a) if the
8 trainer or trainee is a member of a union-sponsored retirement plan and
9 is making contributions to such a retirement plan or (b) if the
10 employee is a member of a Taft-Hartley retirement plan.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

Office of the State Actuary

CODE:

035

DATE:

10/29/02

BILL NUMBER:

**Z-0208.1
Elected Officials**

SUMMARY:

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System plan 2, the Public Employees Retirement System, the Teachers' Retirement System plan 2 and plan 3, and the School Employees' Retirement System by permitting members who are state elected officials and otherwise eligible to retire and begin their retirement allowance each term of office. A state elected official member who chooses to end membership at the beginning of a term of office shall neither make contributions nor earn service credit for the duration of that term.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

State elected official members of most Washington State Retirement Systems and plans must separate from service in order to retire and begin receipt of their retirement benefits regardless of age. While the rules for state elected officials vary by system and plan, the Teachers' Retirement System plan 1 is a notable distinction in permitting state elected officials, if otherwise eligible, to begin their retirement benefit while serving in state elective office.

MEMBERS IMPACTED:

A small number of state elected officials including Legislators and state-wide elected officials would be affected by this change.

FISCAL IMPACT:

Insufficient impact to affect the contribution rates.

Elected Officials Opt In/Opt Out

State Elected Official Service Retirement Provisions

Issue:

State elected officials, such as members of the legislature and statewide office holders such as the Secretary of State or the Lieutenant Governor, have special rules regarding their participation and benefits from the Washington State Retirement Systems. Like the other members of different systems and plans, the terms vary depending on date of entry into membership and system eligibility. The following information is a brief summary of the many detailed rules relating to state elected official membership.

Background:

Who is considered a State Elected Official?

Eligibility for the state elected official benefits vary somewhat by retirement system and plan. Members of the legislature, as well as holders of state-wide elected offices such as the Secretary of State, State Treasurer, and Lieutenant Governor are all examples of state elected officials in all plans.

Benefits for state elected officials vary by the plan they belong to, and also vary from the regular member of those plans. Some plans have rules for local government elected officials and officials appointed directly by the Governor that are distinct from the state elected official rules. The rules for groups other than state elected officials are not included in this discussion. The following table illustrates eligibility and other basic differences between the benefits for regular and state elected official members:

Eligibility and Benefit differences for State Elected Officials by system and plan:

System and Plan	Eligibility for State Elected Official benefits	Benefit differences?
PERS Plan 1	<ul style="list-style-type: none">- elected or appointed to state office- a PERS 1 member when elected- a former PERS 1 member	<ul style="list-style-type: none">- benefit based on 3 percent per year of AFC for eligible service.- member contribution rate is 7.5 %, rather than 6 %.- may retire and retain elected position if earning less than \$15,000 per year, and abandon claims for future service.

System and Plan	Eligibility for State Elected Official benefits	Benefit differences?
PERS Plan 2/3	<ul style="list-style-type: none"> - elected to state office - a PERS 2/3, TRS 2/3, SERS, or LEOFF 2 member when elected - not a member when elected 	<ul style="list-style-type: none"> - may retire and retain elected position if earning less than \$15,000 per year, and abandon claims for future service.
TRS Plan 1	<ul style="list-style-type: none"> - elected or appointed to state office - a TRS 1 member when elected 	<ul style="list-style-type: none"> - may retire and begin benefits without leaving elected office if claim to future service is waived. - member contribution rate is 7.5% rather than 6%.
TRS Plan 2/3	<ul style="list-style-type: none"> - elected or appointed to state office - a TRS 2/3 member when elected 	<ul style="list-style-type: none"> - may enter PERS 2/3 or take a leave of absence from TRS 2/3, purchase TRS service after returning to teaching.
LEOFF plan 1	<ul style="list-style-type: none"> - elected or appointed to state office - elected to a full-time local office - a LEOFF 1 member when elected 	
LEOFF Plan 2	<ul style="list-style-type: none"> - elected or appointed to state office - a LEOFF 2 member when elected 	<ul style="list-style-type: none"> - option of joining PERS 2 rather than continuing LEOFF 2 membership.

With the exception of PERS 2/3, an individual must establish membership in the plan prior to entering their elected or appointed state office. PERS 2/3 is among those with different rules for state elected officials and Governor-appointed officials.

The plans and systems have numerous variations on membership in benefits, for example LEOFF plan 1 is the only one of these plans that treats some full-time local officials under the same rules as state elected officials. TRS plan 1 and PERS plan 1 each provide additional benefits, but also require their members to contribute an additional 1.5 percent of pay.

Rules for entering membership

The state elected official rules provide membership rules for members to opt-in to membership when they begin their elected or appointed service.

- During initial term

During a member's first term in office, they may apply for membership in PERS 2/3 or continue membership in their current plan. Members may generally continue to contribute and earn service credit, or may return to active membership from retirement upon entering office.

TRS 2/3 members are an exception to the general rule. They may take a leave of absence without pay from TRS 2/3 to serve in state elected office and be a member of no plan, or accumulate PERS 2/3 service during their term(s) of office. Upon return to active TRS service, a member that chose a leave of absence may purchase up to two years of TRS unpaid leave of absence service.

A member who is retired when they enter state elected or appointed office may face restrictions on their receipt of their retirement benefit while also being employed. These restrictions vary by system and plan.

In PERS 2/3, a retired member is limited to 867 hours of employment per year without reduction in their retirement benefit. In PERS 1 however, a member who is retired when elected or appointed to office may continue to receive their retirement allowance without reduction. A retired PERS 1 member may also choose to return to active service during a term of office, but any benefits received during the current term of office must be repaid.

As in PERS 2/3, a retired TRS 2/3 state elected official may work up to 867 hours per year and continue to receive an unreduced benefit. In TRS 1, a member may choose to retire or return to active membership during state elected or appointed service. If active TRS 1 member chooses to begin their benefit, all claim to future service while retired is waived. If a retired TRS 1 member returns to active service, their benefit ceases and all benefits paid during that term of office must be repaid.

- During subsequent terms

State elected officials in PERS and TRS 1 may also apply for membership for a new term of office or for following terms. Members of TRS 2/3 or LEOFF may, under some circumstances, be eligible to become an active member of PERS 2/3. Upon entering active membership, service credit will be granted back to the first day of the current term of office upon the member's payment of back employee contributions plus interest. The employer must pay the employer contributions back to the start of that same term.

Prior to retirement, members may apply for retroactive service credit for past terms of state elected or appointed office, however the payment terms differ. The state elected or appointed official must pay the required employee contributions, plus interest, and also the employer contributions plus interest. An employer may choose to pay those contributions for past terms of office in some plans, but is not required to.

When can members retire?

State elected official members of the PERS plans who earn more than \$15,000 per year in their elected positions must meet the retirement criteria for their plan and separate from service to be eligible to receive a retirement benefit.

In TRS 1, a state elected or appointed official may, if eligible, retire from active membership and begin receiving monthly benefits while in office. The TRS 1 member must waive all claim to future service credit that would have been earned while in office. Like PERS 2/3, TRS 2/3 members may choose membership in PERS 2/3 or retire before entering office subject to the TRS 2/3 867 hour post-retirement employment limit, but may not retire while in state elective service.

Eligibility for service credit

Service in state elective positions is considered to be full-time service. For each full year of elected or appointed service, an official is eligible for 12 months of service credit.

Legislative earnable compensation options

Special rules exist for legislators to determine the salary used to determine their retirement allowances. Generally they permit the member to make up for a reduction in earnable compensation that might occur because of leave taken from other public employment for service in the legislature.

In PERS plan 1, a member on a leave of absence from a PERS job to serve in the legislature may use the salary that they would have earned in the other position in determining earnable compensation. Both the employee and employer contributions on the difference between the two earnable compensation amounts must be paid for the imputed compensation to be considered.

In PERS 2/3, a similar option is available, but statute specifically requires the member to pay both any additional member and employer contributions that may be required.

In TRS plan 1, if a member takes a leave of absence to serve in the legislature for five years or more, the member is entitled to use the salary from the position from which leave was taken as earnable compensation upon paying the required employee contributions. In addition, these members with five or more years of legislative service have an amount not to exceed \$7,200 is added to their average final compensation.

In TRS plan 2/3 a member may use the greater of the salary that they would have earned if they had not served in the legislature, or their combined teaching and legislative compensation. The member must pay both the additional member and employer contributions required by the provision's increase to earnable compensation.

Executive Committee Recommendation:

Permit members of PERS, SERS, TRS plans 2 and 3 and LEOFF plan 2 who are state elected officials to choose membership or retirement at the beginning of each term of office. Upon reaching the age and service eligibility requirements of their plan, a state elected official will have 90 days at the beginning of each term of office to choose either membership or retirement and commencement of their benefit. A state elected official that opts to retire shall give up earning service credit and making contributions until they choose to return to active membership in a subsequent term.

Unlike the current provisions of most plans, a state elected official member that chooses to retire may begin collecting the benefit they have earned in their plan without requirement that they leave their state elective office. A state elected official who is also a member because they are currently employed in a non-state elective position covered by their retirement plan must still follow the termination and re-employment restrictions related to that other job and retirement plan.

1 AN ACT Relating to allowing members of the teachers' retirement
2 system, the school employees' retirement system, and the public
3 employees' retirement system to begin receiving benefits without
4 leaving service at age seventy and one-half; adding a new section to
5 chapter 41.32 RCW; adding a new section to chapter 41.35 RCW; and
6 adding a new section to chapter 41.40 RCW.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.32 RCW
9 under the subchapter heading "provisions applicable to plan 1, plan 2,
10 and plan 3" to read as follows:

11 Upon attainment of age seventy and one-half, an employed member
12 may, subject to this section, apply for the retirement benefit the
13 member is otherwise eligible to receive and remain employed without
14 reduction in their pension. The retirement benefit begins to accrue on
15 the first day of the calendar month following the month that a member
16 applies for a retirement benefit and has attained age seventy and one-
17 half. The benefit shall be calculated in accordance with the rules of
18 the member's plan, except that the member may continue to be employed.

1 Upon retirement, the retiree is no longer an active member and may not
2 make contributions, nor receive service credit, for future periods of
3 employment while receiving his or her retirement allowance.

4 NEW SECTION. **Sec. 2.** A new section is added to chapter 41.35 RCW
5 under the subchapter heading "provisions applicable to plan 2 and plan
6 3" to read as follows:

7 Upon attainment of age seventy and one-half, an employed member
8 may, subject to this section, apply for the retirement benefit the
9 member is otherwise eligible to receive and remain employed without
10 reduction in their pension. The retirement benefit begins to accrue on
11 the first day of the calendar month following the month that a member
12 applies for a retirement benefit and has attained age seventy and one-
13 half. The benefit is calculated in accordance with the rules of the
14 member's plan, except that the member may continue to be employed.
15 Upon retirement, the retiree is no longer an active member and may not
16 make contributions, nor receive service credit, for future periods of
17 employment while receiving his or her retirement allowance.

18 NEW SECTION. **Sec. 3.** A new section is added to chapter 41.40 RCW
19 under the subchapter heading "provisions applicable to plan 1, plan 2,
20 and plan 3" to read as follows:

21 Upon attainment of age seventy and one-half, an employed member
22 may, subject to this section, apply for the retirement benefit the
23 member is otherwise eligible to receive and remain employed without
24 reduction in their pension. The retirement benefit begins to accrue on
25 the first day of the calendar month following the month that a member
26 applies for a retirement benefit and has attained age seventy and one-
27 half. The benefit shall be calculated in accordance with the rules of
28 the member's plan, except that the member may continue to be employed.
29 Upon retirement, the retiree is no longer an active member and may not
30 make contributions, nor receive service credit, for future periods of
31 employment while receiving his or her retirement allowance.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

Office of the State Actuary

CODE:

035

DATE:

10/29/02

BILL NUMBER:

Z-0144.1

Age 70½

SUMMARY:

This bill impacts all of the plans of the Teachers' Retirement System, the School Employees' Retirement System and the Public Employees' Retirement System by permitting vested members who attain age 70 and one half to apply to the Department of Retirement Systems to begin their benefits without requiring that they separate from service. Upon application for retirement benefits an individual ceases active membership and no longer makes contributions nor receives service credit.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

Current law requires member of TRS, SERS, and PERS to retire before benefits begin regardless of age. This generally requires a member separate from service and apply to the Department of Retirement Systems.

MEMBERS IMPACTED:

We estimate that approximately 450 members are age 70½ and eligible to receive benefits in the 2001 Valuation of the State Retirement Systems.

FISCAL IMPACT:

Insufficient impact to affect the contribution rates.

Age 70½ Receive Benefit

Issue:

In order to begin receiving a retirement allowance, a member must be eligible for benefits under their plan, leave employment, and apply to the department to start their allowance. They thereby leave active membership and become a retiree. The requirement that a member separate from service exists regardless of age. Federal law requires that private plans allow members to terminate active membership and begin their benefits at age 70½ without leaving employment - a rule that does not apply to governmental plans such as the Washington State Retirement Systems.

Background:

In 1986, the Federal Tax Reform Act included a provision amending Internal Revenue Code section 401(a)(9)(C) requiring all pension and retirement benefits to begin no later than age 70½ regardless of whether the individual remained employed. This served as an exception to the general rule that the employee must retire before the payment of retirement benefits can begin. Individuals who did not begin receiving their pension benefits by this time were made subject to a 50 percent tax on the amount that would have been paid had they retired.

To follow the federal requirement, the Legislature changed the Judicial, Judges, LEOFF, TRS, PERS, and WSPRS systems in 1988 to allow members with more than five years of service to apply for their retirement benefit after age 70½. The change adopted by the legislature was distinct from the federal requirement in that it allowed individuals to be active members and collect service credit, and be retired and collect their benefit simultaneously. The expressed intent of the legislature was that if Congress repealed the requirement for distribution at 70½, payments made to members who never left employment and began their benefit under the provision would cease. The rule was codified as RCW 41.04.065.

Federal law was changed to exempt governmental plans, a category of plans that includes the Washington State Retirement Systems, from the requirement that distribution of benefits commences at age 70½. The state retirement systems currently remain exempt from the federal 70½ rule. RCW 41.04.065 was then repealed by the Legislature in 1991, ending the age 70½ provision.

**Vested Active Members Age 70½ or Greater
by System and Plan, 2001 Valuation**

System	Plan 1 Count	Plan 2 Count	Plan 3 Count
SERS	0	86	16
JRS	1	0	0
PERS	133	186	0
TRS	22	6	0

The 2001 Legislature increased the number of hours that retirees in PERS plan 1 and TRS plan 1 could work without facing a reduction in their benefits. All retirees are still required to separate from service for 30 days, however, or be prohibited from both receiving their benefit and returning to work.

Possible Approaches:

Members of PERS, SERS and TRS plans 1, 2, and 3 who have attained age 70½ and meet the vesting requirements for their respective plans could be given the opportunity to apply for retirement benefits to begin without requiring that they separate from service. Upon application for retirement benefits, an individual would cease active membership and would no longer accumulate service credit.

Executive Committee Recommendation:

Members of PERS, SERS, and TRS plans 1, 2, and 3 who have attained age 70½ and meet the vesting requirements for their plan may apply for retirement benefits without requiring that they separate from service. Upon application for retirement benefits, an individual ceases active membership and no longer accumulates service credit.

1 AN ACT Relating to providing a death benefit for certain state
2 employees; adding a new section to chapter 41.40 RCW; adding a new
3 section to chapter 41.32 RCW; adding a new section to chapter 41.35
4 RCW; and adding a new section to chapter 41.04 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
7 under the subchapter heading "provisions applicable to plan 1, plan 2,
8 and plan 3" to read as follows:

9 (1) A one hundred fifty thousand dollar death benefit shall be paid
10 to the member's estate, or such person or persons, trust or
11 organization as the member has nominated by written designation duly
12 executed and filed with the department. If no such designated person
13 or persons are still living at the time of the member's death, the
14 member's death benefit shall be paid to the member's surviving spouse
15 as if in fact the spouse had been nominated by written designation, or
16 if there is no surviving spouse, then to the member's legal
17 representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of injuries sustained in the course of employment. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW under the subchapter heading "provisions applicable to plan 1, plan 2, and plan 3" to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of injuries sustained in the course of employment. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW under the subchapter heading "provisions applicable to plan 2 and plan 3" to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

1 (2) The benefit under this section shall be paid only where death
2 occurs as a result of injuries sustained in the course of employment.
3 The determination of eligibility for the benefit shall be made
4 consistent with Title 51 RCW by the department of labor and industries.
5 The department of labor and industries shall notify the department of
6 retirement systems by order under RCW 51.52.050.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 A one hundred fifty thousand dollar death benefit shall be paid as
10 a sundry claim to the estate of an employee of any state agency, the
11 common school system of the state, or institution of higher education
12 who dies as a result of injuries sustained in the course of employment
13 and is not otherwise provided a death benefit through coverage under
14 their enrolled retirement system under this act. The determination of
15 eligibility for the benefit shall be made consistent with Title 51 RCW
16 by the department of labor and industries. The department of labor and
17 industries shall notify the director of the department of general
18 administration by order under RCW 51.52.050.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

10/18/02

Z-0148.2

\$150,000 Death Ben.

SUMMARY:

This bill impacts the Teachers Retirement System (TRS), the Public Employees Retirement System (PERS) and the School Employees Retirement System (SERS) by providing a \$150,000 death benefit where death occurs as a result of injuries sustained in the course of employment. The bill also provides a \$150,000 death benefit, paid as a sundry claim, for public employees who are not members of PERS, TRS, or SERS whose death occurs as a result of injuries sustained in the course of employment.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

This benefit is currently provided in the Law Enforcement Officers and Fire Fighters Retirement System, the Washington State Patrol Retirement System, and by PERS for security personnel of the states' ports or universities.

MEMBERS IMPACTED:

We estimate that all the 66,220 active members of TRS, the 152,936 active members of PERS, and the 48,347 active members of SERS would be affected by this bill by being provided death benefit coverage, but few would die and actually receive this benefit.

We estimate that there will be .5 eligible deaths in TRS, 4.0 eligible deaths in PERS and 1.2 eligible deaths in SERS each year, and that for a member impacted by this bill, the increase in benefits would be \$150,000. The inclusion of public employees who are not PERS, TRS, or SERS members does not increase the estimate of eligible deaths.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of TRS, PERS and SERS differently.

The bill will impact the actuarial funding of TRS, PERS and SERS by increasing the present value of benefits payable under the System as shown below. However, the increase in benefits is insufficient to increase the required actuarial contribution rate of TRS or PERS.

The employer and employee split the cost of this benefit in plan 2, while the cost in plans 1 & 3 is paid by the employer. As members transfer to plan 3 this cost will shift from the employer/employee to the employer. For SERS 2/3 this means the employer cost will increase from slightly less than .01% to somewhat more than .01%. For PERS 2/3 this means the cost will increase depending on what percentage of employees are in plan 3. Because this change depends on the number of transfers and its impact is small, it is not reflected in the budget impact below.

<i>(Dollars in Millions)</i>	System	Current	Increase	Total
Actuarial Present Value of Projected Benefits	TRS 2/3	\$ 4,024	\$ 0.5	\$4,025
The Value of the Total Commitment to all Current Members	TRS 1	10,050	0.1	10,050
	PERS 2/3	12,428	3.5	12,432
	PERS 1	12,244	0.4	12,244
	SERS 2/3	1,610	1.3	1,611
Unfunded Actuarial Accrued Liability	TRS 2/3	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024	TRS 1	\$ 400	\$ 0.1	\$ 400
	PERS 2/3	N/A	N/A	N/A
	PERS 1	860	0.4	860
	SERS 2/3	N/A	N/A	N/A
Unfunded Liability (PBO)	TRS 2/3	\$ (1,750)	\$ 0.3	\$ (1,750)
The Value of the Total Commitment to all Current Members Attributable to Past Service	TRS 1	(22)	0.1	(22)
	PERS 2/3	(4,874)	2.0	(4,872)
	PERS 1	301	0.3	301
	SERS 2/3	(724)	0.8	(723)
Required Contribution Rate	TRS	2.22%	.00%	2.22%
	PERS	2.05%	.00%	2.05%
	SERS 2/3	1.74%	.01%	1.75%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Effective September 1, 2003	
Increase in Contribution Rates:	SERS 2/3
Employee (SERS 2 only)	.01%
Employer State	.01%

Costs (in Millions):

2003-2005

State:

General Fund	\$.1
Non-General Fund	<u>0</u>
Total State	\$.1
Local Government	\$.1

2005-2007

State:

General Fund	\$.2
Non-General Fund	<u>0</u>
Total State	\$.2
Local Government	\$.1

2002-2028

General Fund	\$ 3.7
Non-General Fund	<u>0</u>
Total State	\$ 3.7
Local Government	\$ 3.3

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Public Employees Retirement System, Teachers Employees Retirement System and the School Employees Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

Based on a prior study, it is assumed that eligible deaths will occur at the rate of .0026% for SERS and PERS and .0008% for TRS.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.



Joint Committee on Pension Policy

\$150,000 Death Benefit

Presented December 10, 2001

Revised September 20, 2002

Prepared by: Robert Wm. Baker

Office of the State Actuary

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Background:

A duty-related death benefit is paid only where death occurs as a result of injuries sustained in the course of employment. There is also no time limit following the injury in which the death must result.

In 1996 the Legislature passed Engrossed Second Substitute Senate Bill 5322 (Chapter 226, Laws of 1996) which provided an additional \$150,000 duty-related death benefit to survivors of members of LEOFF and WSP.

In 1998 SB 5217 (Chapter 151, laws of 1998) extend the same \$150,000 death benefit coverage to volunteer fire fighters and reserve police officers. Following the passage of this bill, the Governor requested that the JCPP conduct a comprehensive study of duty-related death benefits for public employees. The Governor further requested that the study give consideration to providing an additional duty-death benefit to all public employees.

According to the State Actuary's experience study, there are about 10 duty-related deaths each biennium in the combined PERS, SERS, and TRS systems.

Death Benefits Available:

There are three types of government sponsored death benefits available to public employees outside of the state pension systems.

- Social Security;
- Labor and Industries (L&I);
- Federal Death Benefit;

Labor and Industries Death Benefit

Labor and Industries provides a lump sum for burial expenses together with an ongoing monthly benefit. The monthly benefit is 60% of gross wages plus 2% of gross wages for each dependent. The total monthly payment cannot exceed 120% of the state's average wage -- \$3,723 -- for fiscal year 2002. This benefit is not offset by the Social Security survivor benefit nor is it offset by any other government pension benefit. The benefit does cease upon remarriage.

Social Security Survivor's Benefit

Social Security is paid as a monthly benefit and is available to survivors of both duty and nonduty-related deaths. The benefit amount is based on the earnings of the person who died; the more paid into Social Security, the higher the benefit. The benefit amount is based on a percentage of the deceased's Basic Social Security benefit. The percentage will vary depending on the survivor's age and on the number of surviving dependents. The most typical situations are listed below:

- Widow or widower age 65 or older: 100%
- Widow or widower age 60-64: About 71-94%
- Widow any age with a child under age 16: 75%
- Children: 75%

In general, the Social Security survivor benefit may be reduced or stopped completely if the surviving spouse:

- Returns to work and has earnings in excess of certain limits
- Already receives a Social Security benefit
- Remarries
- No longer has a child under the age of 16

Example
Male age 45 with wages of \$40,000/yr

	<u>Monthly</u>	<u>Annual</u>
Basic Benefit Rate	\$1,311	\$15,732
Spouse under ret age	\$983	\$11,800
Child under 16	\$983	\$11,800
Family Maximum	\$2,341	\$28,100

Public Safety Officers Benefits Program

The Public Safety Officers Benefit Act of 1976 provides a federal duty-death benefit for police officers and fire-fighters who die in the line of duty. This is paid as a lump sum and is available to survivors of policemen and fire fighters only. The size of this benefit does not depend on the income level of the public safety officer prior to his/her death.

1976 - \$50,000

1988 - \$100,000 with a CPI inflator

2002 - \$157,118

Pension Benefits

Aside from the specific death benefits mentioned above, there are also pension-related death benefits. Survivors of LEOFF 1 or WSPRS active members may receive a percent of the members salary plus additional allotments for children to a maximum of 60% of salary in both plans. The survivor of an active LEOFF 2 member may receive the member's earned retirement benefit, if they were eligible, or a refund of 150% of the member's contributions and interest; and if they were not eligible to retire, a refund of the member's contributions plus interest. Active survivor benefits in most other plans are either a refund of the member's contribution and interest if the member was not eligible to retire, or an actuarially reduced benefit if they were eligible.

Budget Language:

Even though this benefit has not passed legislative muster as a stand-alone bill, the language was included in the 2000 supplemental budget and the 2001-2003 budget. In this manner it is not a permanent benefit within the retirement chapter, but rather a temporary benefit that lasts the duration of the budget itself. The payment of a death benefit in this instance is treated as a sundry claim.

Budget Language in ESSB 6153.SL C007 L 01 E2

Sec. 714. DEATH BENEFIT--COMMON SCHOOLS. For the period from July 1, 2001, through June 30, 2003, a one hundred fifty thousand dollar death benefit shall be paid as a sundry claim to the estate of an employee in the common school system of the state who is killed in the course of employment. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the director of the department of general administration by order under RCW 51.52.050.

Sec. 715. DEATH BENEFIT--STATE AGENCIES. For the period from July 1, 2001, through June 30, 2003, a one hundred fifty thousand dollar death benefit shall be paid as a sundry claim to the estate of an employee of any state agency or higher education institution not otherwise provided a death benefit through coverage under their enrolled retirement system. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the director of the department of general administration by order under RCW 51.52.050.

JCPP Recommendation:

A \$150,000 death benefit should be provided to survivors of PERS, SERS, and TRS plan members and survivors of employees of any state agency, the common school system of the state, or institution of higher education who die as a result of injuries sustained in the course of employment.

Fiscal Impact:

See Fiscal Note.

1 AN ACT Relating to allowing members of the teachers' retirement
2 system plan 1 to use extended school years for calculation of their
3 earnable compensation; and amending RCW 41.32.010.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.32.010 and 1997 c 254 s 3 are each amended to read
6 as follows:

7 As used in this chapter, unless a different meaning is plainly
8 required by the context:

9 (1)(a) "Accumulated contributions" for plan 1 members, means the
10 sum of all regular annuity contributions and, except for the purpose of
11 withdrawal at the time of retirement, any amount paid under RCW
12 41.50.165(2) with regular interest thereon.

13 (b) "Accumulated contributions" for plan 2 members, means the sum
14 of all contributions standing to the credit of a member in the member's
15 individual account, including any amount paid under RCW 41.50.165(2),
16 together with the regular interest thereon.

17 (2) "Actuarial equivalent" means a benefit of equal value when

1 computed upon the basis of such mortality tables and regulations as
2 shall be adopted by the director and regular interest.

3 (3) "Annuity" means the moneys payable per year during life by
4 reason of accumulated contributions of a member.

5 (4) "Member reserve" means the fund in which all of the accumulated
6 contributions of members are held.

7 (5) (a) "Beneficiary" for plan 1 members, means any person in
8 receipt of a retirement allowance or other benefit provided by this
9 chapter.

10 (b) "Beneficiary" for plan 2 and plan 3 members, means any person
11 in receipt of a retirement allowance or other benefit provided by this
12 chapter resulting from service rendered to an employer by another
13 person.

14 (6) "Contract" means any agreement for service and compensation
15 between a member and an employer.

16 (7) "Creditable service" means membership service plus prior
17 service for which credit is allowable. This subsection shall apply
18 only to plan 1 members.

19 (8) "Dependent" means receiving one-half or more of support from a
20 member.

21 (9) "Disability allowance" means monthly payments during
22 disability. This subsection shall apply only to plan 1 members.

23 (10) (a) "Earnable compensation" for plan 1 members, means:

24 (i) All salaries and wages paid by an employer to an employee
25 member of the retirement system for personal services rendered during
26 a fiscal year. In all cases where compensation includes maintenance
27 the employer shall fix the value of that part of the compensation not
28 paid in money.

29 (ii) For an employee member of the retirement system teaching in an
30 extended school year program, two consecutive extended school years, as
31 defined by the employer school district, may be used as the annual
32 period for determining earnable compensation in lieu of the two fiscal
33 years.

34 (iii) "Earnable compensation" for plan 1 members also includes the
35 following actual or imputed payments, which are not paid for personal
36 services:

37 (A) Retroactive payments to an individual by an employer on
38 reinstatement of the employee in a position, or payments by an employer

1 to an individual in lieu of reinstatement in a position which are
2 awarded or granted as the equivalent of the salary or wages which the
3 individual would have earned during a payroll period shall be
4 considered earnable compensation and the individual shall receive the
5 equivalent service credit.

6 (B) If a leave of absence, without pay, is taken by a member for
7 the purpose of serving as a member of the state legislature, and such
8 member has served in the legislature five or more years, the salary
9 which would have been received for the position from which the leave of
10 absence was taken shall be considered as compensation earnable if the
11 employee's contribution thereon is paid by the employee. In addition,
12 where a member has been a member of the state legislature for five or
13 more years, earnable compensation for the member's two highest
14 compensated consecutive years of service shall include a sum not to
15 exceed thirty-six hundred dollars for each of such two consecutive
16 years, regardless of whether or not legislative service was rendered
17 during those two years.

18 (~~((iii))~~) (iv) For members employed less than full time under
19 written contract with a school district, or community college district,
20 in an instructional position, for which the member receives service
21 credit of less than one year in all of the years used to determine the
22 earnable compensation used for computing benefits due under RCW
23 41.32.497, 41.32.498, and 41.32.520, the member may elect to have
24 earnable compensation defined as provided in RCW 41.32.345. For the
25 purposes of this subsection, the term "instructional position" means a
26 position in which more than seventy-five percent of the member's time
27 is spent as a classroom instructor (including office hours), a
28 librarian, or a counselor. Earnable compensation shall be so defined
29 only for the purpose of the calculation of retirement benefits and only
30 as necessary to insure that members who receive fractional service
31 credit under RCW 41.32.270 receive benefits proportional to those
32 received by members who have received full-time service credit.

33 (~~((iv))~~) (v) "Earnable compensation" does not include:

34 (A) Remuneration for unused sick leave authorized under RCW
35 41.04.340, 28A.400.210, or 28A.310.490;

36 (B) Remuneration for unused annual leave in excess of thirty days
37 as authorized by RCW 43.01.044 and 43.01.041.

1 (b) "Earnable compensation" for plan 2 and plan 3 members, means
2 salaries or wages earned by a member during a payroll period for
3 personal services, including overtime payments, and shall include wages
4 and salaries deferred under provisions established pursuant to sections
5 403(b), 414(h), and 457 of the United States Internal Revenue Code, but
6 shall exclude lump sum payments for deferred annual sick leave, unused
7 accumulated vacation, unused accumulated annual leave, or any form of
8 severance pay.

9 "Earnable compensation" for plan 2 and plan 3 members also includes
10 the following actual or imputed payments which, except in the case of
11 (b)(ii)(B) of this subsection, are not paid for personal services:

12 (i) Retroactive payments to an individual by an employer on
13 reinstatement of the employee in a position or payments by an employer
14 to an individual in lieu of reinstatement in a position which are
15 awarded or granted as the equivalent of the salary or wages which the
16 individual would have earned during a payroll period shall be
17 considered earnable compensation, to the extent provided above, and the
18 individual shall receive the equivalent service credit.

19 (ii) In any year in which a member serves in the legislature the
20 member shall have the option of having such member's earnable
21 compensation be the greater of:

22 (A) The earnable compensation the member would have received had
23 such member not served in the legislature; or

24 (B) Such member's actual earnable compensation received for
25 teaching and legislative service combined. Any additional
26 contributions to the retirement system required because compensation
27 earnable under (b)(ii)(A) of this subsection is greater than
28 compensation earnable under (b)(ii)(B) of this subsection shall be paid
29 by the member for both member and employer contributions.

30 (11) "Employer" means the state of Washington, the school district,
31 or any agency of the state of Washington by which the member is paid.

32 (12) "Fiscal year" means a year which begins July 1st and ends June
33 30th of the following year.

34 (13) "Former state fund" means the state retirement fund in
35 operation for teachers under chapter 187, Laws of 1923, as amended.

36 (14) "Local fund" means any of the local retirement funds for
37 teachers operated in any school district in accordance with the
38 provisions of chapter 163, Laws of 1917 as amended.

1 (15) "Member" means any teacher included in the membership of the
2 retirement system. Also, any other employee of the public schools who,
3 on July 1, 1947, had not elected to be exempt from membership and who,
4 prior to that date, had by an authorized payroll deduction, contributed
5 to the member reserve.

6 (16) "Membership service" means service rendered subsequent to the
7 first day of eligibility of a person to membership in the retirement
8 system: PROVIDED, That where a member is employed by two or more
9 employers the individual shall receive no more than one service credit
10 month during any calendar month in which multiple service is rendered.
11 The provisions of this subsection shall apply only to plan 1 members.

12 (17) "Pension" means the moneys payable per year during life from
13 the pension reserve.

14 (18) "Pension reserve" is a fund in which shall be accumulated an
15 actuarial reserve adequate to meet present and future pension
16 liabilities of the system and from which all pension obligations are to
17 be paid.

18 (19) "Prior service" means service rendered prior to the first date
19 of eligibility to membership in the retirement system for which credit
20 is allowable. The provisions of this subsection shall apply only to
21 plan 1 members.

22 (20) "Prior service contributions" means contributions made by a
23 member to secure credit for prior service. The provisions of this
24 subsection shall apply only to plan 1 members.

25 (21) "Public school" means any institution or activity operated by
26 the state of Washington or any instrumentality or political subdivision
27 thereof employing teachers, except the University of Washington and
28 Washington State University.

29 (22) "Regular contributions" means the amounts required to be
30 deducted from the compensation of a member and credited to the member's
31 individual account in the member reserve. This subsection shall apply
32 only to plan 1 members.

33 (23) "Regular interest" means such rate as the director may
34 determine.

35 (24) (a) "Retirement allowance" for plan 1 members, means monthly
36 payments based on the sum of annuity and pension, or any optional
37 benefits payable in lieu thereof.

1 (b) "Retirement allowance" for plan 2 and plan 3 members, means
2 monthly payments to a retiree or beneficiary as provided in this
3 chapter.

4 (25) "Retirement system" means the Washington state teachers'
5 retirement system.

6 (26)(a) "Service" for plan 1 members means the time during which a
7 member has been employed by an employer for compensation.

8 (i) If a member is employed by two or more employers the individual
9 shall receive no more than one service credit month during any calendar
10 month in which multiple service is rendered.

11 (ii) As authorized by RCW 28A.400.300, up to forty-five days of
12 sick leave may be creditable as service solely for the purpose of
13 determining eligibility to retire under RCW 41.32.470.

14 (iii) As authorized in RCW 41.32.065, service earned in an out-of-
15 state retirement system that covers teachers in public schools may be
16 applied solely for the purpose of determining eligibility to retire
17 under RCW 41.32.470.

18 (b) "Service" for plan 2 and plan 3 members, means periods of
19 employment by a member for one or more employers for which earnable
20 compensation is earned subject to the following conditions:

21 (i) A member employed in an eligible position or as a substitute
22 shall receive one service credit month for each month of September
23 through August of the following year if he or she earns earnable
24 compensation for eight hundred ten or more hours during that period and
25 is employed during nine of those months, except that a member may not
26 receive credit for any period prior to the member's employment in an
27 eligible position except as provided in RCW 41.32.812 and 41.50.132;

28 (ii) If a member is employed either in an eligible position or as
29 a substitute teacher for nine months of the twelve month period between
30 September through August of the following year but earns earnable
31 compensation for less than eight hundred ten hours but for at least six
32 hundred thirty hours, he or she will receive one-half of a service
33 credit month for each month of the twelve month period;

34 (iii) All other members in an eligible position or as a substitute
35 teacher shall receive service credit as follows:

36 (A) A service credit month is earned in those calendar months where
37 earnable compensation is earned for ninety or more hours;

1 (B) A half-service credit month is earned in those calendar months
2 where earnable compensation is earned for at least seventy hours but
3 less than ninety hours; and

4 (C) A quarter-service credit month is earned in those calendar
5 months where earnable compensation is earned for less than seventy
6 hours.

7 (iv) Any person who is a member of the teachers' retirement system
8 and who is elected or appointed to a state elective position may
9 continue to be a member of the retirement system and continue to
10 receive a service credit month for each of the months in a state
11 elective position by making the required member contributions.

12 (v) When an individual is employed by two or more employers the
13 individual shall only receive one month's service credit during any
14 calendar month in which multiple service for ninety or more hours is
15 rendered.

16 (vi) As authorized by RCW 28A.400.300, up to forty-five days of
17 sick leave may be creditable as service solely for the purpose of
18 determining eligibility to retire under RCW 41.32.470. For purposes of
19 plan 2 and plan 3 "forty-five days" as used in RCW 28A.400.300 is equal
20 to two service credit months. Use of less than forty-five days of sick
21 leave is creditable as allowed under this subsection as follows:

22 (A) Less than eleven days equals one-quarter service credit month;

23 (B) Eleven or more days but less than twenty-two days equals one-
24 half service credit month;

25 (C) Twenty-two days equals one service credit month;

26 (D) More than twenty-two days but less than thirty-three days
27 equals one and one-quarter service credit month;

28 (E) Thirty-three or more days but less than forty-five days equals
29 one and one-half service credit month.

30 (vii) As authorized in RCW 41.32.065, service earned in an out-of-
31 state retirement system that covers teachers in public schools may be
32 applied solely for the purpose of determining eligibility to retire
33 under RCW 41.32.470.

34 (viii) The department shall adopt rules implementing this
35 subsection.

36 (27) "Service credit year" means an accumulation of months of
37 service credit which is equal to one when divided by twelve.

(28) "Service credit month" means a full service credit month or an accumulation of partial service credit months that are equal to one.

(29) "Teacher" means any person qualified to teach who is engaged by a public school in an instructional, administrative, or supervisory capacity. The term includes state, educational service district, and school district superintendents and their assistants and all employees certificated by the superintendent of public instruction; and in addition thereto any full time school doctor who is employed by a public school and renders service of an instructional or educational nature.

(30) "Average final compensation" for plan 2 and plan 3 members, means the member's average earnable compensation of the highest consecutive sixty service credit months prior to such member's retirement, termination, or death. Periods constituting authorized leaves of absence may not be used in the calculation of average final compensation except under RCW 41.32.810(2).

(31) "Retiree" means any person who has begun accruing a retirement allowance or other benefit provided by this chapter resulting from service rendered to an employer while a member.

(32) "Department" means the department of retirement systems created in chapter 41.50 RCW.

(33) "Director" means the director of the department.

(34) "State elective position" means any position held by any person elected or appointed to state-wide office or elected or appointed as a member of the legislature.

(35) "State actuary" or "actuary" means the person appointed pursuant to RCW 44.44.010(2).

(36) "Substitute teacher" means:

(a) A teacher who is hired by an employer to work as a temporary teacher, except for teachers who are annual contract employees of an employer and are guaranteed a minimum number of hours; or

(b) Teachers who either (i) work in ineligible positions for more than one employer or (ii) work in an ineligible position or positions together with an eligible position.

(37)(a) "Eligible position" for plan 2 members from June 7, 1990, through September 1, 1991, means a position which normally requires two or more uninterrupted months of creditable service during September through August of the following year.

1 (b) "Eligible position" for plan 2 and plan 3 on and after
2 September 1, 1991, means a position that, as defined by the employer,
3 normally requires five or more months of at least seventy hours of
4 earnable compensation during September through August of the following
5 year.

6 (c) For purposes of this chapter an employer shall not define
7 "position" in such a manner that an employee's monthly work for that
8 employer is divided into more than one position.

9 (d) The elected position of the superintendent of public
10 instruction is an eligible position.

11 (38) "Plan 1" means the teachers' retirement system, plan 1
12 providing the benefits and funding provisions covering persons who
13 first became members of the system prior to October 1, 1977.

14 (39) "Plan 2" means the teachers' retirement system, plan 2
15 providing the benefits and funding provisions covering persons who
16 first became members of the system on and after October 1, 1977, and
17 prior to July 1, 1996.

18 (40) "Plan 3" means the teachers' retirement system, plan 3
19 providing the benefits and funding provisions covering persons who
20 first become members of the system on and after July 1, 1996, or who
21 transfer under RCW 41.32.817.

22 (41) "Index" means, for any calendar year, that year's annual
23 average consumer price index, Seattle, Washington area, for urban wage
24 earners and clerical workers, all items compiled by the bureau of labor
25 statistics, United States department of labor.

26 (42) "Index A" means the index for the year prior to the
27 determination of a postretirement adjustment.

28 (43) "Index B" means the index for the year prior to index A.

29 (44) "Index year" means the earliest calendar year in which the
30 index is more than sixty percent of index A.

31 (45) "Adjustment ratio" means the value of index A divided by index
32 B.

33 (46) "Annual increase" means, initially, fifty-nine cents per month
34 per year of service which amount shall be increased each July 1st by
35 three percent, rounded to the nearest cent.

36 (47) "Member account" or "member's account" for purposes of plan 3
37 means the sum of the contributions and earnings on behalf of the member
38 in the defined contribution portion of plan 3.

1 (48) "Separation from service or employment" occurs when a person
2 has terminated all employment with an employer.
3 (49) "Employed" or "employee" means a person who is providing
4 services for compensation to an employer, unless the person is free
5 from the employer's direction and control over the performance of work.
6 The department shall adopt rules and interpret this subsection
7 consistent with common law.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

Office of the State Actuary

CODE:

035

DATE:

10/31/02

BILL NUMBER:

Z-0149.1

Extended School Yr

SUMMARY:

Members of the Teachers' Retirement System (TRS), plan 1 teaching in an extended school year program may use two consecutive extended school years, as defined by their school district, rather than two fiscal years in determining their average final compensation.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

Some TRS plan 1 members may, under certain circumstances, see a slight reduction in their retirement benefit if teaching in an extended school year program as compared to another similarly situated member teaching in a conventional school year program. This is due to the final extended school year of their teaching career ending after the end of the last full fiscal year of their career.

MEMBERS IMPACTED:

A small number of TRS plan 1 members likely teach in extended school year programs. Some of them may see a small increase in their average final compensation, and resulting retirement benefit, from this option.

FISCAL IMPACT:

None.

TRS 1 Extended School Year

Issue:

Members of the Teachers' Retirement System, plan 1 (TRS plan 1) base their retirement benefit on their years of service credit multiplied by their average earnable compensation in their two highest compensated consecutive years, up to a maximum of sixty percent. Earnable compensation for TRS plan 1 members is defined as all wages paid to the member for services rendered during a fiscal year, which for teachers runs from July 1 to June 30.

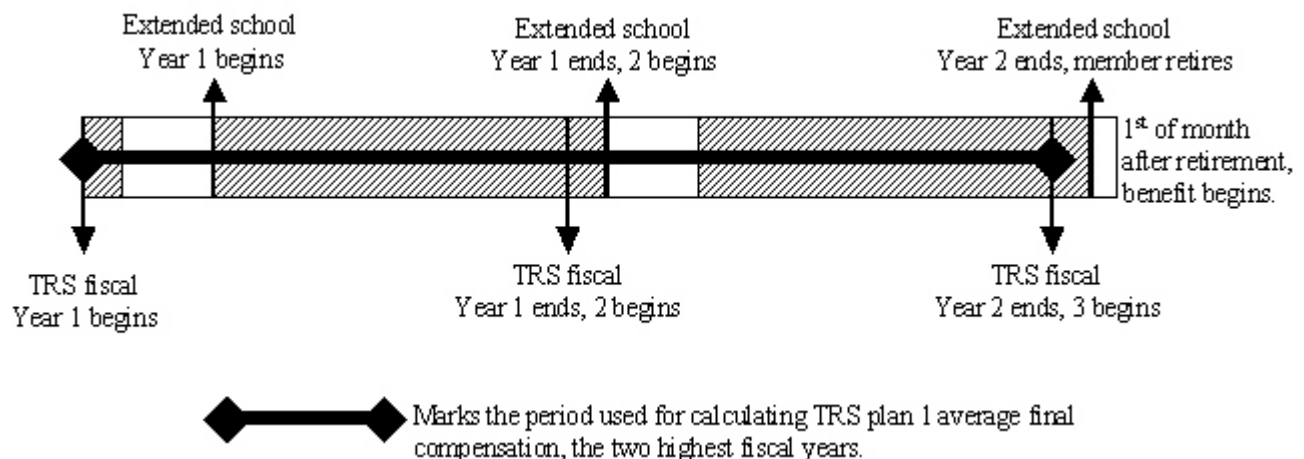
Some teachers work in extended school years which may run until mid July. Recent data supplied by the Superintendent of Public Instruction indicates that about ten school districts have one or more schools that operate on these extended calendars. The difference between the teachers fiscal year and the extended school year may have several effects on TRS plan 1 members benefits.

Analysis:

A. *Extended school year AFC issue*

When members retire in TRS plan 1, RCW 41.32.498 states that their pension allowance shall be equal to their average earnable compensation for their two highest consecutive years of service. RCW 41.32.010(10)(a) specifies that "earnable compensation" is all wages paid for services rendered during the fiscal year.

Illustration of the TRS plan 1 AFC period, Fiscal Year, and an Example Extended School Year



The fiscal year for teachers' runs from July 1st to June 30th of the following year, as set in RCW 41.32.010(12). For teachers that are on a conventional school year schedule, this typically falls in the middle of their summer, as their school year may typically run from late August until mid-June of each year.

A difference in the timing of the end of the statutory fiscal year and the end of the extended school year may result in different earnable compensation amounts for TRS plan 1 members whose annual salary is the same, depending on whether they teach on traditional or extended school-year calendars.

If a TRS plan 1 member retires at the end of an extended school year that runs beyond the end of the fiscal year, the highest two consecutive school years of compensation may not include the final weeks of their career compensation - these fall into a fiscal year during which the member worked only a short period of time.

The Impact of Extended School Year "Look-back" on TRS plan 1 Pension for a typical 2001 retiree

	Conventional School Year		Extended School Year		Difference in Pension amount	
Retirement Date	7/1/01		8/1/01		-	
AFC - using look-back on final two weeks of extended year pay.	\$53,426		\$53,201		\$225 in AFC	
Annual (monthly) pension for 15 years of service	\$16,028	(\$1336)	\$15,961	(\$1330)	\$67	(\$5.60)
Annual (monthly) pension for 30 years of service	\$32,055	(\$2671)	\$31,921	(\$2660)	\$134	(\$11.20)

Instead of these last two weeks, the member includes the two weeks from the "beginning" of the fiscal year - the end of their extended school year - from the year before last. This process of including the weeks taught in the prior school year, but in one of the member's two highest fiscal years that are used for calculating their average final compensation (AFC), is often referred to as the "look-back" process.

As illustrated on the table "The Impact of Extended School Year "Look-back" a teacher who retires" with a typical AFC of about \$53,000 and 30 years of service, the effect of the look-back during years of average salary increases the effect could be to reduce their monthly pension amount by approximately \$11. For a similarly situated teacher with fifteen years of service, that amount would be half, or about \$6.

In plan 2/3 the rules for application and the effective date of retirement negate any difference for teachers on conventional school year calendars or extended school year calendars. This is because the allowance in plan 2 and 3 is calculated on the basis of the "average final compensation" for plan 2 and 3 members, defined as the member's average earnable compensation over the member's highest consecutive sixty service credit months.

This monthly determination in plan 2/3, rather than the annual fiscal year determination in plan 1 effectively eliminates the effects of the extended school year on members of the newer plans.

B. *One Month Later Start to Retirement Benefit - Plan 1*

For a conventional school year TRS 1 teacher that finishes their final contract in mid-June, retirement benefits may begin on July 1st of that year. This is consistent with the rule that benefits begin payment on the first of the month following the month in which the member terminates service. This rule is contained in WAC 415-112-520, interpreting RCW 41.32.480.

Because they retire one month later, teachers similarly situated except for one being in an extended school year program would in a sense receive one less benefit payment during their initial year of retirement. In the above example this amount would be about \$2660 for a teacher with 30 years of service.

In plan 2 and plan 3, a teacher typically does not start their benefit until the September following their retirement, regardless of whether their final school year ends in June or July. The fiscal year definition used in TRS 1 is not used for pensions in the newer plans. A teacher from these plans does not receive service credit for the entire school year, and therefore a reduced benefit, unless their retirement begins at the end of the school year - September through August.

C. *Possible Approach*

TRS plan 1 teachers in extended school year programs could have their average final compensation calculated on the greater of either the current formula of their two highest consecutive fiscal years, or the two highest consecutive extended school years as defined by their school district. This would account for the possible adverse effect of the fiscal year determination on their benefits, but would not address the issue of their benefit starting one month later than conventional school year TRS plan 1 members.

D. *Executive Committee Proposal*

Permit TRS plan 1 teachers in extended school year programs to have either two consecutive fiscal years or two consecutive extended school years, as defined by their school districts, used in the calculation of their average final compensation.

Governance

SHB 3010, Proposed Striking Amendment, and Other Recommendations

	SHB 3010	S4910.1 Striking Amendment	Other Recommendations
Creates	Select Committee on Pension Policy		
Repeals	Joint Committee on Pension Policy		
Staff	Office of the State Actuary		
Members	<u>16 Members</u> <ul style="list-style-type: none"> - 4 Senate members ¹ - 4 House members ² - 4 Active representatives - 2 Retiree representatives - 2 Employer representatives 	<u>20 Members</u> <ul style="list-style-type: none"> - 4 Senate members ³ - 4 House members ⁴ - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - Directors of DRS & OFM 	<u>20 Members</u> <ul style="list-style-type: none"> - 4 Senate members ³ - 4 House members ⁴ - 4 Active representatives - 2 Retiree representatives - 4 Employer representatives - 2 Gubernatorial appointees
Duties	<ul style="list-style-type: none"> - Study pension issues and develop pension policies - Study financial conditions of state pension systems and develop funding policies - Make recommendations to the legislature 		
Other	<ul style="list-style-type: none"> - Places the Office of the State Actuary under the Pension Funding Council. - The Pension Funding Council may appoint or remove the State Actuary 		

¹ Must be from the Ways and Means Committee

² Must be from the Appropriations Committee

³ Three must be from the Ways and Means Committee

⁴ Three must be from the Appropriations Committee

SUBSTITUTE HOUSE BILL 3010

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Appropriations (originally sponsored by Representatives Fromhold, McIntire, Conway, Cooper, Hunt and Sullivan)

Read first time 03/04/2002. Referred to Committee on .

1 AN ACT Relating to creating the select committee on pension policy;
2 amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and
3 44.44.030; reenacting and amending RCW 41.32.570; adding new sections
4 to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW
5 44.44.015, 44.44.050, and 44.44.060.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate ways and means committee appointed
12 by the president of the senate, two of whom are members of the majority
13 party and two of whom are members of the minority party;

14 (b) Four members of the house of representatives appropriations
15 committee appointed by the speaker, two of whom are members of the
16 majority party and two of whom are members of the minority party;

17 (c) Four active members or representatives from organizations of
18 active members of the state retirement systems appointed by the
19 governor for staggered three-year terms;

1 (d) Two retired members or representatives of retired members'
2 organizations of the state retirement systems appointed by the governor
3 for staggered three-year terms, with no two members from the same
4 system; and

5 (e) Two employer representatives of members of the state retirement
6 systems appointed by the governor for staggered three-year terms.

7 (2)(a) The term of office of each member of the house of
8 representatives or senate serving on the committee runs from the close
9 of the session in which he or she is appointed until the close of the
10 next regular session held in an odd-numbered year. If a successor is
11 not appointed during a session, the member's term continues until the
12 member is reappointed or a successor is appointed. The term of office
13 for a committee member who is a member of the house of representatives
14 or the senate who does not continue as a member of the senate or house
15 of representatives ceases upon the convening of the next session of the
16 legislature during the odd-numbered year following the member's
17 appointment, or upon the member's resignation, whichever is earlier.
18 All vacancies of positions held by members of the legislature must be
19 filled from the same political party and from the same house as the
20 member whose seat was vacated.

21 (b) Following the terms of members and representatives appointed
22 under subsection (1)(d) of this section, the retiree positions shall be
23 rotated to ensure that each system has an opportunity to have a retiree
24 representative on the committee.

25 (3) The committee shall elect a chairperson and a vice-chairperson.

26 (4) The committee shall establish an executive committee of four
27 members, including the chairperson and the vice-chairperson.

28 (5) Nonlegislative members of the select committee serve without
29 compensation, but shall be reimbursed for travel expenses under RCW
30 43.03.050 and 43.03.060.

31 (6) The office of state actuary under chapter 44.44 RCW shall
32 provide staff and technical support to the committee.

33 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
34 read as follows:

35 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
36 section, all expenses of the administration of the department ~~((and)),~~
37 the expenses of administration of the retirement systems, and the
38 expenses of the administration of the office of the state actuary

1 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
2 (~~and~~) 43.43, and 44.44 RCW shall be paid from the department of
3 retirement systems expense fund.

4 (2) In order to reimburse the department of retirement systems
5 expense fund on an equitable basis the department shall ascertain and
6 report to each employer, as defined in RCW 41.26.030, 41.32.010,
7 41.35.010, or 41.40.010, the sum necessary to defray its proportional
8 share of the entire expense of the administration of the retirement
9 system that the employer participates in during the ensuing biennium or
10 fiscal year whichever may be required. Such sum is to be computed in
11 an amount directly proportional to the estimated entire expense of the
12 administration as the ratio of monthly salaries of the employer's
13 members bears to the total salaries of all members in the entire
14 system. It shall then be the duty of all such employers to include in
15 their budgets or otherwise provide the amounts so required.

16 (3) The department shall compute and bill each employer, as defined
17 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
18 each month for the amount due for that month to the department of
19 retirement systems expense fund and the same shall be paid as are its
20 other obligations. Such computation as to each employer shall be made
21 on a percentage rate of salary established by the department. However,
22 the department may at its discretion establish a system of billing
23 based upon calendar year quarters in which event the said billing shall
24 be at the end of each such quarter.

25 (4) The director may adjust the expense fund contribution rate for
26 each system at any time when necessary to reflect unanticipated costs
27 or savings in administering the department.

28 (5) An employer who fails to submit timely and accurate reports to
29 the department may be assessed an additional fee related to the
30 increased costs incurred by the department in processing the deficient
31 reports. Fees paid under this subsection shall be deposited in the
32 retirement system expense fund.

33 (a) Every six months the department shall determine the amount of
34 an employer's fee by reviewing the timeliness and accuracy of the
35 reports submitted by the employer in the preceding six months. If
36 those reports were not both timely and accurate the department may
37 prospectively assess an additional fee under this subsection.

38 (b) An additional fee assessed by the department under this
39 subsection shall not exceed fifty percent of the standard fee.

(c) The department shall adopt rules implementing this section.

(6) Expenses other than those under RCW 41.34.060 ~~((+2))~~ (3) shall be paid pursuant to subsection (1) of this section.

Sec. 3. RCW 44.44.040 and 1987 c 25 s 3 are each amended to read as follows:

The office of the state actuary shall have the following powers and duties:

(1) Perform all actuarial services for the department of retirement systems, including all studies required by law. ~~((Reimbursement for such services shall be made to the state actuary pursuant to the provisions of RCW 39.34.130 as now or hereafter amended.))~~

(2) Advise the legislature and the governor regarding pension benefit provisions, and funding policies and investment policies of the state investment board.

(3) Consult with the legislature and the governor concerning determination of actuarial assumptions used by the department of retirement systems.

(4) Prepare a report, to be known as the actuarial fiscal note, on each pension bill introduced in the legislature which briefly explains the financial impact of the bill. The actuarial fiscal note shall include: (a) The statutorily required contribution for the biennium and the following twenty-five years; (b) the biennial cost of the increased benefits if these exceed the required contribution; and (c) any change in the present value of the unfunded accrued benefits. An actuarial fiscal note shall also be prepared for all amendments which are offered in committee or on the floor of the house of representatives or the senate to any pension bill. However, a majority of the members present may suspend the requirement for an actuarial fiscal note for amendments offered on the floor of the house of representatives or the senate.

(5) Provide such actuarial services to the legislature as may be requested from time to time.

(6) Provide staff and assistance to the committee established under RCW ~~((46.44.050))~~ 44.44.050.

NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW to read as follows:

1 The select committee on pension policy has the following powers and
2 duties:

3 (1) Study pension issues, develop pension policies for public
4 employees in state retirement systems, and make recommendations to the
5 legislature; and

6 (2) Study the financial condition of the state pension systems,
7 develop funding policies, and make recommendations to the legislature.

8 **Sec. 5.** RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317
9 s 1 are each reenacted and amended to read as follows:

10 (1)(a) If a retiree enters employment with an employer sooner than
11 one calendar month after his or her accrual date, the retiree's monthly
12 retirement allowance will be reduced by five and one-half percent for
13 every seven hours worked during that month. This reduction will be
14 applied each month until the retiree remains absent from employment
15 with an employer for one full calendar month.

16 (b) The benefit reduction provided in (a) of this subsection will
17 accrue for a maximum of one hundred forty hours per month. Any monthly
18 benefit reduction over one hundred percent will be applied to the
19 benefit the retiree is eligible to receive in subsequent months.

20 (2) Any retired teacher or retired administrator who enters service
21 in any public educational institution in Washington state and who has
22 satisfied the break in employment requirement of subsection (1) of this
23 section shall cease to receive pension payments while engaged in such
24 service, after the retiree has rendered service for more than one
25 thousand five hundred hours in a school year. When a retired teacher
26 or administrator renders service beyond eight hundred sixty-seven
27 hours, the department shall collect from the employer the applicable
28 employer retirement contributions for the entire duration of the
29 member's employment during that fiscal year.

30 (3) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (4) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five hundred twenty-five hours per
36 year without a reduction of his or her pension.

1 **Sec. 6.** RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended
2 to read as follows:

3 (1)(a) If a retiree enters employment with an employer sooner than
4 one calendar month after his or her accrual date, the retiree's monthly
5 retirement allowance will be reduced by five and one-half percent for
6 every eight hours worked during that month. This reduction will be
7 applied each month until the retiree remains absent from employment
8 with an employer for one full calendar month.

9 (b) The benefit reduction provided in (a) of this subsection will
10 accrue for a maximum of one hundred sixty hours per month. Any benefit
11 reduction over one hundred percent will be applied to the benefit the
12 retiree is eligible to receive in subsequent months.

13 (2)(a) A retiree from plan 1 who has satisfied the break in
14 employment requirement of subsection (1) of this section and who enters
15 employment with an employer may continue to receive pension payments
16 while engaged in such service for up to one thousand five hundred hours
17 of service in a calendar year without a reduction of pension. When a
18 plan 1 member renders service beyond eight hundred sixty-seven hours,
19 the department shall collect from the employer the applicable employer
20 retirement contributions for the entire duration of the member's
21 employment during that calendar year.

22 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
23 employment requirement of subsection (1) of this section may work up to
24 eight hundred sixty-seven hours in a calendar year in an eligible
25 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
26 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
27 without suspension of his or her benefit.

28 (3) If the retiree opts to reestablish membership under RCW
29 41.40.023(12), he or she terminates his or her retirement status and
30 becomes a member. Retirement benefits shall not accrue during the
31 period of membership and the individual shall make contributions and
32 receive membership credit. Such a member shall have the right to again
33 retire if eligible in accordance with RCW 41.40.180. However, if the
34 right to retire is exercised to become effective before the member has
35 rendered two uninterrupted years of service, the retirement formula and
36 survivor options the member had at the time of the member's previous
37 retirement shall be reinstated.

(4) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(5) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five months in a calendar year without a reduction of his or her pension.

Sec. 7. RCW 41.45.100 and 1998 c 283 s 2 are each amended to read as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting

1 procedures, personnel policies, and compensation plans, selection of a
2 chief administrator, facilities, and expenditures. This section does
3 not grant oversight authority to the facilities and operations
4 committee of the senate over any standing committee of the house of
5 representatives or oversight authority to the executive rules committee
6 of the house of representatives over any standing committee of the
7 senate.

8 **Sec. 10.** RCW 44.44.030 and 2001 c 259 s 11 are each amended to
9 read as follows:

10 (1) Subject to RCW 44.04.260, the state actuary shall have the
11 authority to select and employ such research, technical, clerical
12 personnel, and consultants as the actuary deems necessary, whose
13 salaries shall be fixed by the actuary and approved by the (~~joint~~
14 ~~committee on pension policy~~) pension funding council, and who shall be
15 exempt from the provisions of the state civil service law, chapter
16 41.06 RCW.

17 (2) All actuarial valuations and experience studies performed by
18 the office of the state actuary shall be signed by a member of the
19 American academy of actuaries. If the state actuary is not such a
20 member, the state actuary, after approval by the (~~committee~~) council,
21 shall contract for a period not to exceed two years with a member of
22 the American academy of actuaries to assist in developing actuarial
23 valuations and experience studies.

24 NEW SECTION. **Sec. 11.** The following acts or parts of acts are
25 each repealed:

- 26 (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
27 (2) RCW 44.44.050 (Joint committee on pension policy--Membership,
28 terms, leadership) and 1987 c 25 s 4; and
29 (3) RCW 44.44.060 (Joint committee on pension policy--Powers and
30 duties) and 1987 c 25 s 5.

--- END ---

2 **SHB 3010** - S AMD
3 By Senator Winsley

4

5 Strike everything after the enacting clause and insert the
6 following:

7 "NEW SECTION. **Sec. 1.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 (1) The select committee on pension policy is created. The select
10 committee consists of:

11 (a) Four members of the senate appointed by the president of the
12 senate, two of whom are members of the majority party and two of whom
13 are members of the minority party. At least three of the appointees
14 shall be members of the senate ways and means committee;

15 (b) Four members of the house of representatives appointed by the
16 speaker, two of whom are members of the majority party and two of whom
17 are members of the minority party. At least three of the appointees
18 shall be members of the house of representatives appropriations
19 committee;

20 (c) Four active members or representatives from organizations of
21 active members of the state retirement systems appointed by the
22 governor for staggered three-year terms;

23 (d) Two retired members or representatives of retired members'
24 organizations of the state retirement systems appointed by the governor
25 for staggered three-year terms, with no two members from the same
26 system;

27 (e) Four employer representatives of members of the state
28 retirement systems appointed by the governor for staggered three-year
29 terms; and

30 (f) The director of the office of financial management and the
31 director of the department of retirement systems.

32 (2)(a) The term of office of each member of the house of
33 representatives or senate serving on the committee runs from the close
34 of the session in which he or she is appointed until the close of the
35 next regular session held in an odd-numbered year. If a successor is
36 not appointed during a session, the member's term continues until the

1 member is reappointed or a successor is appointed. The term of office
2 for a committee member who is a member of the house of representatives
3 or the senate who does not continue as a member of the senate or house
4 of representatives ceases upon the convening of the next session of the
5 legislature during the odd-numbered year following the member's
6 appointment, or upon the member's resignation, whichever is earlier.
7 All vacancies of positions held by members of the legislature must be
8 filled from the same political party and from the same house as the
9 member whose seat was vacated.

10 (b) Following the terms of members and representatives appointed
11 under subsection (1)(d) of this section, the retiree positions shall be
12 rotated to ensure that each system has an opportunity to have a retiree
13 representative on the committee.

14 (3) The committee shall elect a chairperson and a vice-chairperson.
15 The chairperson shall be a member of the senate in even-numbered years
16 and a member of the house of representatives in odd-numbered years.

17 (4) The committee shall establish an executive committee of four
18 members, including the chairperson and the vice-chairperson.

19 (5) Nonlegislative members of the select committee serve without
20 compensation, but shall be reimbursed for travel expenses under RCW
21 43.03.050 and 43.03.060.

22 (6) The office of state actuary under chapter 44.44 RCW shall
23 provide staff and technical support to the committee.

24 **Sec. 2.** RCW 41.50.110 and 1998 c 341 s 508 are each amended to
25 read as follows:

26 (1) Except as provided by RCW 41.50.255 and subsection (6) of this
27 section, all expenses of the administration of the department (~~((and))~~),
28 the expenses of administration of the retirement systems, and the
29 expenses of the administration of the office of the state actuary
30 created in chapters 2.10, 2.12, 41.26, 41.32, 41.40, 41.34, 41.35,
31 (~~((and))~~) 43.43, and 44.44 RCW shall be paid from the department of
32 retirement systems expense fund.

33 (2) In order to reimburse the department of retirement systems
34 expense fund on an equitable basis the department shall ascertain and
35 report to each employer, as defined in RCW 41.26.030, 41.32.010,
36 41.35.010, or 41.40.010, the sum necessary to defray its proportional
37 share of the entire expense of the administration of the retirement
38 system that the employer participates in during the ensuing biennium or

1 fiscal year whichever may be required. Such sum is to be computed in
2 an amount directly proportional to the estimated entire expense of the
3 administration as the ratio of monthly salaries of the employer's
4 members bears to the total salaries of all members in the entire
5 system. It shall then be the duty of all such employers to include in
6 their budgets or otherwise provide the amounts so required.

7 (3) The department shall compute and bill each employer, as defined
8 in RCW 41.26.030, 41.32.010, 41.35.010, or 41.40.010, at the end of
9 each month for the amount due for that month to the department of
10 retirement systems expense fund and the same shall be paid as are its
11 other obligations. Such computation as to each employer shall be made
12 on a percentage rate of salary established by the department. However,
13 the department may at its discretion establish a system of billing
14 based upon calendar year quarters in which event the said billing shall
15 be at the end of each such quarter.

16 (4) The director may adjust the expense fund contribution rate for
17 each system at any time when necessary to reflect unanticipated costs
18 or savings in administering the department.

19 (5) An employer who fails to submit timely and accurate reports to
20 the department may be assessed an additional fee related to the
21 increased costs incurred by the department in processing the deficient
22 reports. Fees paid under this subsection shall be deposited in the
23 retirement system expense fund.

24 (a) Every six months the department shall determine the amount of
25 an employer's fee by reviewing the timeliness and accuracy of the
26 reports submitted by the employer in the preceding six months. If
27 those reports were not both timely and accurate the department may
28 prospectively assess an additional fee under this subsection.

29 (b) An additional fee assessed by the department under this
30 subsection shall not exceed fifty percent of the standard fee.

31 (c) The department shall adopt rules implementing this section.

32 (6) Expenses other than those under RCW 41.34.060(~~(+2)~~) (3) shall
33 be paid pursuant to subsection (1) of this section.

34 **Sec. 3.** RCW 44.44.040 and 1987 c 25 s 3 are each amended to read
35 as follows:

36 The office of the state actuary shall have the following powers and
37 duties:

1 (1) Perform all actuarial services for the department of retirement
2 systems, including all studies required by law. (~~Reimbursement for~~
3 ~~such services shall be made to the state actuary pursuant to the~~
4 ~~provisions of RCW 39.34.130 as now or hereafter amended.~~))

5 (2) Advise the legislature and the governor regarding pension
6 benefit provisions, and funding policies and investment policies of the
7 state investment board.

8 (3) Consult with the legislature and the governor concerning
9 determination of actuarial assumptions used by the department of
10 retirement systems.

11 (4) Prepare a report, to be known as the actuarial fiscal note, on
12 each pension bill introduced in the legislature which briefly explains
13 the financial impact of the bill. The actuarial fiscal note shall
14 include: (a) The statutorily required contribution for the biennium
15 and the following twenty-five years; (b) the biennial cost of the
16 increased benefits if these exceed the required contribution; and (c)
17 any change in the present value of the unfunded accrued benefits. An
18 actuarial fiscal note shall also be prepared for all amendments which
19 are offered in committee or on the floor of the house of
20 representatives or the senate to any pension bill. However, a majority
21 of the members present may suspend the requirement for an actuarial
22 fiscal note for amendments offered on the floor of the house of
23 representatives or the senate.

24 (5) Provide such actuarial services to the legislature as may be
25 requested from time to time.

26 (6) Provide staff and assistance to the committee established under
27 RCW (~~46.44.050~~) 44.44.050.

28 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
29 to read as follows:

30 The select committee on pension policy has the following powers and
31 duties:

32 (1) Study pension issues, develop pension policies for public
33 employees in state retirement systems, and make recommendations to the
34 legislature; and

35 (2) Study the financial condition of the state pension systems,
36 develop funding policies, and make recommendations to the legislature.

Sec. 5. RCW 41.32.570 and 2001 2nd sp.s. c 10 s 3 and 2001 c 317 s 1 are each reenacted and amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every seven hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

(b) The benefit reduction provided in (a) of this subsection will accrue for a maximum of one hundred forty hours per month. Any monthly benefit reduction over one hundred percent will be applied to the benefit the retiree is eligible to receive in subsequent months.

(2) Any retired teacher or retired administrator who enters service in any public educational institution in Washington state and who has satisfied the break in employment requirement of subsection (1) of this section shall cease to receive pension payments while engaged in such service, after the retiree has rendered service for more than one thousand five hundred hours in a school year. When a retired teacher or administrator renders service beyond eight hundred sixty-seven hours, the department shall collect from the employer the applicable employer retirement contributions for the entire duration of the member's employment during that fiscal year.

(3) The department shall collect and provide the state actuary with information relevant to the use of this section for the ((joint)) select committee on pension policy.

(4) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to be employed for more than five hundred twenty-five hours per year without a reduction of his or her pension.

Sec. 6. RCW 41.40.037 and 2001 2nd sp.s. c 10 s 4 are each amended to read as follows:

(1)(a) If a retiree enters employment with an employer sooner than one calendar month after his or her accrual date, the retiree's monthly retirement allowance will be reduced by five and one-half percent for every eight hours worked during that month. This reduction will be applied each month until the retiree remains absent from employment with an employer for one full calendar month.

1 (b) The benefit reduction provided in (a) of this subsection will
2 accrue for a maximum of one hundred sixty hours per month. Any benefit
3 reduction over one hundred percent will be applied to the benefit the
4 retiree is eligible to receive in subsequent months.

5 (2)(a) A retiree from plan 1 who has satisfied the break in
6 employment requirement of subsection (1) of this section and who enters
7 employment with an employer may continue to receive pension payments
8 while engaged in such service for up to one thousand five hundred hours
9 of service in a calendar year without a reduction of pension. When a
10 plan 1 member renders service beyond eight hundred sixty-seven hours,
11 the department shall collect from the employer the applicable employer
12 retirement contributions for the entire duration of the member's
13 employment during that calendar year.

14 (b) A retiree from plan 2 or plan 3 who has satisfied the break in
15 employment requirement of subsection (1) of this section may work up to
16 eight hundred sixty-seven hours in a calendar year in an eligible
17 position, as defined in RCW 41.32.010, 41.35.010, or 41.40.010, or as
18 a fire fighter or law enforcement officer, as defined in RCW 41.26.030,
19 without suspension of his or her benefit.

20 (3) If the retiree opts to reestablish membership under RCW
21 41.40.023(12), he or she terminates his or her retirement status and
22 becomes a member. Retirement benefits shall not accrue during the
23 period of membership and the individual shall make contributions and
24 receive membership credit. Such a member shall have the right to again
25 retire if eligible in accordance with RCW 41.40.180. However, if the
26 right to retire is exercised to become effective before the member has
27 rendered two uninterrupted years of service, the retirement formula and
28 survivor options the member had at the time of the member's previous
29 retirement shall be reinstated.

30 (4) The department shall collect and provide the state actuary with
31 information relevant to the use of this section for the ((joint))
32 select committee on pension policy.

33 (5) The legislature reserves the right to amend or repeal this
34 section in the future and no member or beneficiary has a contractual
35 right to be employed for more than five months in a calendar year
36 without a reduction of his or her pension.

37 **Sec. 7.** RCW 41.45.100 and 1998 c 283 s 2 are each amended to read
38 as follows:

(1) The pension funding council is hereby created. The council consists of the:

- (a) Director of the department of retirement systems;
- (b) Director of the office of financial management;
- (c) Chair and ranking minority member of the house of representatives appropriations committee; and
- (d) Chair and ranking minority member of the senate ways and means committee.

The council may select officers as the members deem necessary.

(2) The pension funding council shall adopt changes to economic assumptions and contribution rates by an affirmative vote of at least four members.

(3) The council may appoint or remove the state actuary by a two-thirds vote of the council.

NEW SECTION. **Sec. 8.** RCW 41.54.061 is decodified.

Sec. 9. RCW 44.04.260 and 2001 c 259 s 1 are each amended to read as follows:

The joint legislative audit and review committee, the legislative transportation committee, the ((joint)) select committee on pension policy, the legislative evaluation and accountability program committee, and the joint legislative systems committee are subject to such operational policies, procedures, and oversight as are deemed necessary by the facilities and operations committee of the senate and the executive rules committee of the house of representatives to ensure operational adequacy of the agencies of the legislative branch. As used in this section, "operational policies, procedures, and oversight" includes the development process of biennial budgets, contracting procedures, personnel policies, and compensation plans, selection of a chief administrator, facilities, and expenditures. This section does not grant oversight authority to the facilities and operations committee of the senate over any standing committee of the house of representatives or oversight authority to the executive rules committee of the house of representatives over any standing committee of the senate.

Sec. 10. RCW 44.44.030 and 2001 c 259 s 11 are each amended to read as follows:

(1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, whose salaries shall be fixed by the actuary and approved by the (~~joint committee on pension policy~~) pension funding council, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.

(2) All actuarial valuations and experience studies performed by the office of the state actuary shall be signed by a member of the American academy of actuaries. If the state actuary is not such a member, the state actuary, after approval by the (~~committee~~) council, shall contract for a period not to exceed two years with a member of the American academy of actuaries to assist in developing actuarial valuations and experience studies.

NEW SECTION. **Sec. 11.** The following acts or parts of acts are each repealed:

- (1) RCW 44.44.015 (Administration) and 2001 c 259 s 10;
- (2) RCW 44.44.050 (Joint committee on pension policy--Membership, terms, leadership) and 1987 c 25 s 4; and
- (3) RCW 44.44.060 (Joint committee on pension policy--Powers and duties) and 1987 c 25 s 5."

SHB 3010 - S AMD
By Senator

On page 1, line 1 of the title, after "policy;" strike the remainder of the title and insert "amending RCW 41.50.110, 44.44.040, 41.40.037, 41.45.100, 44.04.260, and 44.44.030; reenacting and amending RCW 41.32.570; adding new sections to chapter 41.04 RCW; decodifying RCW 41.54.061; and repealing RCW 44.44.015, 44.44.050, and 44.44.060."

--- END ---

Joint Committee on Pension Policy

Administrative Considerations Relating to Governance

John Charles

Director

Department of Retirement Systems

November 13, 2002

History

- ◆ In 1976, the Department of Retirement Systems was created to consolidate the duties and functions of:
 - Public Employees' Retirement System and board
 - Teachers' Retirement System and board
 - Law Enforcement Officers' and Fire Fighters' Retirement System and board
 - Washington State Patrol Retirement System and board
 - Judicial Retirement System and board
 - Judges' Retirement Fund, previously managed by the State Treasurer

Benefits of Consolidation

- ◆ Increased operational efficiency through economies of scale
- ◆ Eliminated redundancies
- ◆ Improved service delivery as a result of functional coordination
- ◆ Consolidated information systems (1990s)

Administrative Challenges

- ◆ Managing system complexity
- ◆ Maximizing operational efficiency
- ◆ Controlling costs
- ◆ Delivering effective member services

System Complexity

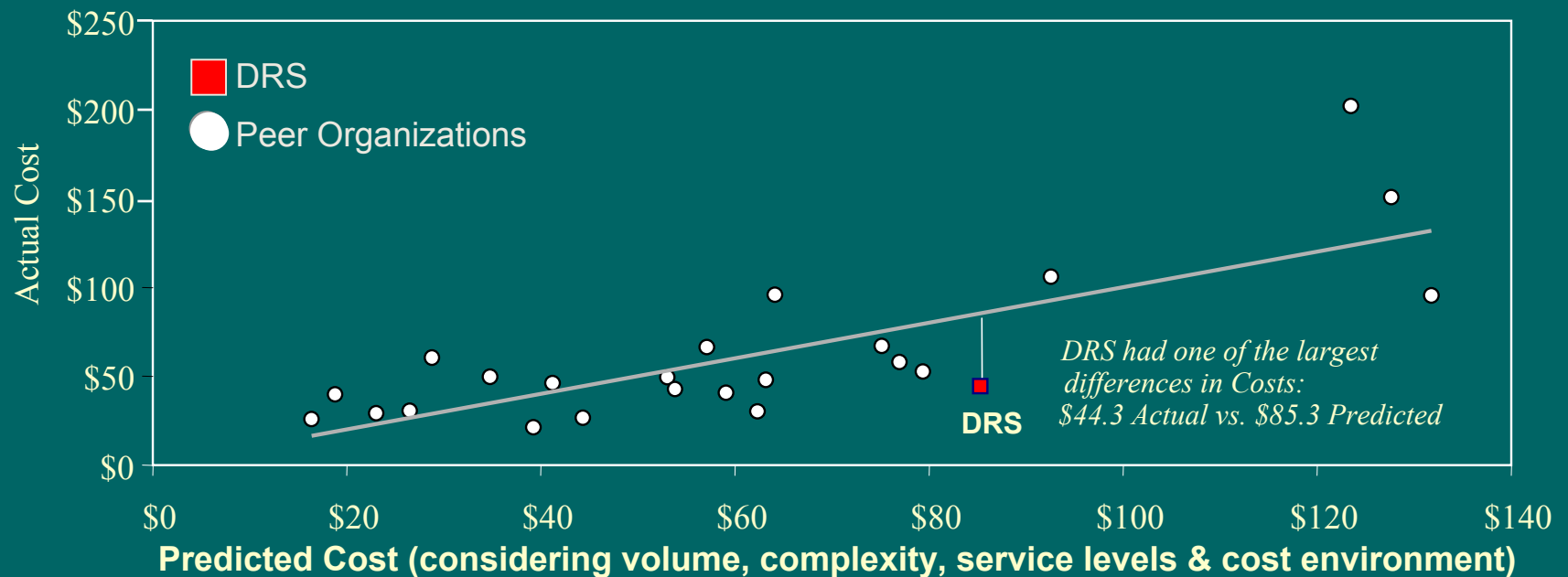


- ◆ Multiple plans and rules
- ◆ Hybrid defined benefit-defined contribution plans, daily investment transactions
- ◆ Bakenhus rights

Source: Cost Effectiveness Measurement Inc.

Cost Effectiveness

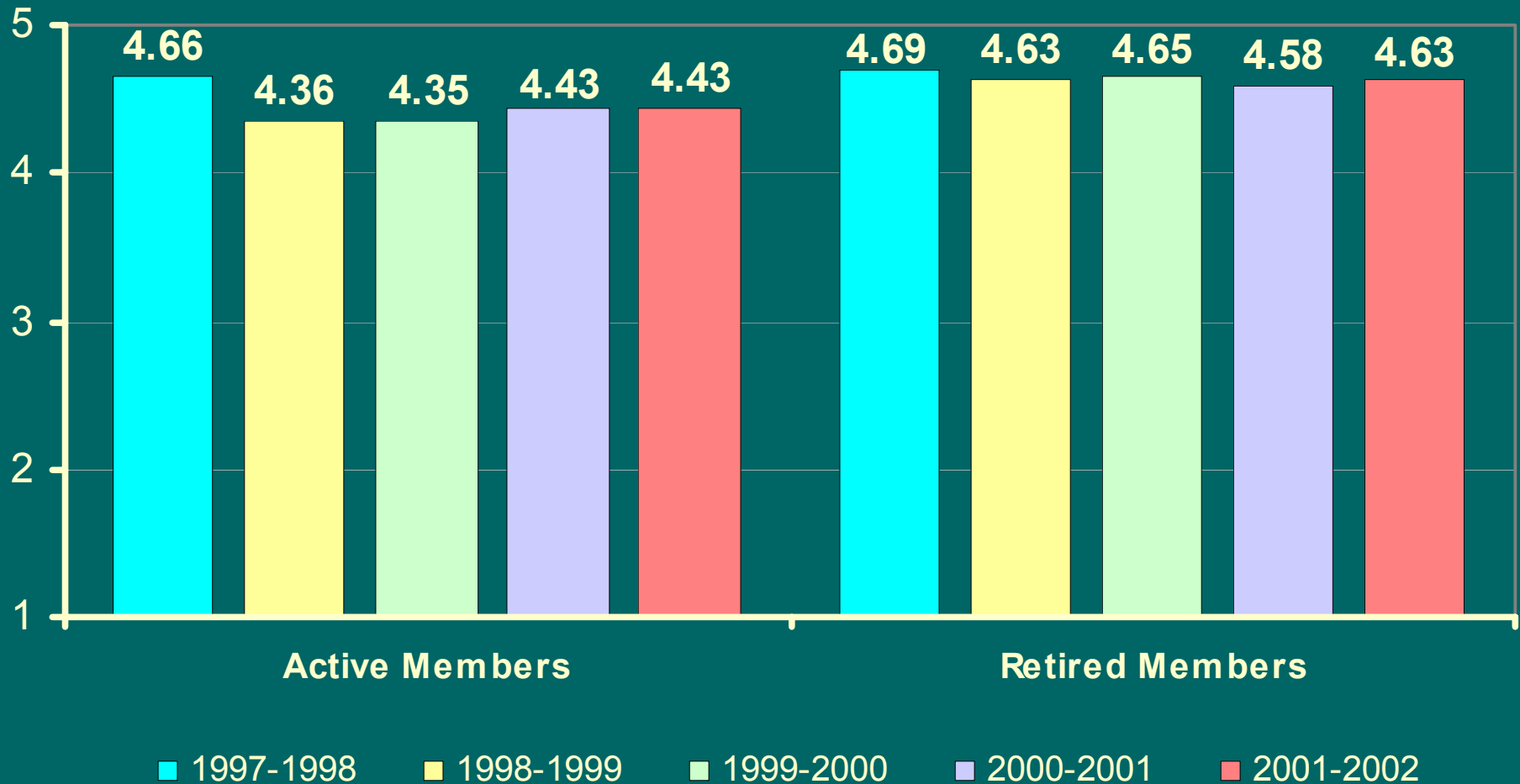
- ◆ Cost per active member, at \$44, is less than \$85 predicted cost based on volume, complexity, service levels, workloads and environment



Source: Cost Effectiveness Measurement Inc., 2002

Customer Satisfaction

◆ Annual Customer Satisfaction Survey Ratings



Conclusion

- ◆ Administrative participation in governance is important because it provides:
 - Increased understanding of impacts to members, employers, and other stakeholders
 - Early assessment of implications to cost and complexity when considering changes
 - Expanded knowledge of pension programs
 - Improved long-range administrative planning

Fish & Wildlife into LEOFF

Background:

The 2002 Legislature passed ESB 6076, broadening the authority of Department of Fish and Wildlife law enforcement officers and changing the Department of Fish and Wildlife from a limited authority law enforcement agency to a general authority law enforcement agency. ESB 6076 also added language specifying that the Fish and Wildlife enforcement officers would not become members of the Law Enforcement Officers' and Fire Fighters' Retirement System(LEOFF) as a result of the passage of the act.

Department of Fish and Wildlife law enforcement officers are members of the Public Employees' Retirement System(PERS), and there are members of all three plans of PERS currently serving as Fish and Wildlife enforcement officers.

New members enrolling in PERS may choose to enter PERS plan 2 or plan 3. Both open PERS plans have a full retirement age of 65, may early retire after either ten (plan 3) or twenty (plan 2) years of service with a full actuarial reduction beginning at age 55, or with a reduction of 3 percent per year of early retirement after thirty years of service.

New members enrolling in LEOFF enter plan 2. LEOFF plan 2 members have a full retirement age of 53, and may early retire after twenty years of service at age 50 with a 3 percent per year reduction.

Department of Fish and Wildlife Law Enforcement Officer Membership by PERS plan, October 2002

PERS Plan	Number of Members
1	58
2	61
3	6
Total	125

Many Department of Fish and Wildlife enforcement officers are members of PERS plan 1. PERS plan 1 members may retire after 30 years of service at any age, at age 55 after 25 years of service, and at age 60 after five years of service.

The eligibility of a group of employees for membership in LEOFF plan 2 as law enforcement officers is generally determined on the basis of three criteria:

- That the employees are full-time, fully authorized law enforcement officers commissioned and employed to enforce the criminal laws in general;
- That their employer is a general authority law enforcement agency which has as its primary function the enforcement of the traffic and criminal laws of the state in general; and
- That there are certain required qualifications of the individuals including the Criminal Justice Training Commission basic law enforcement course.

The portability rules in Chapter 41.54 RCW provide for the retirement benefits of members with service in several systems or plans. Among the most important principles in the portability rules are that years of service in several plans may be combined to determine the eligibility for benefits from each plan, however each benefit is still only available under the terms of that plan. The member's base salary from any one of the systems may also be used for calculating the benefit from the others.

For example, a member has ten years of service in PERS plan 2 and ten years of service in LEOFF plan 2. The member is eligible to receive a full normal retirement benefit from the ten years of LEOFF plan 2 service at age 53, and may choose to receive a benefit from the ten years of PERS plan 2 service at age 53 as well - however the benefit from PERS shall be reduced from age 65, the PERS plan 2 retirement age, to age 53. Alternatively, the member could delay collecting a benefit from PERS until age 65, and at that time receive their benefit unreduced.

Analysis:

ESB 6076 changed the status of Department of Fish and Wildlife enforcement officers with respect to two of the LEOFF plan 2 membership criteria. The 2002 legislation explicitly makes the Fish and Wildlife enforcement officers fully authorized general authority law enforcement officers and make the Department of Fish and Wildlife a general authority law enforcement agency.

ESB 6076 also specifically provided that Fish and Wildlife enforcement officers would not be included in LEOFF plan 2 through employer definition. Similarly, the Washington State Patrol is excluded from the definition of general authority law enforcement agency for purposes of LEOFF plan 2. The commissioned officers of the Washington State Patrol are included in the Washington State Patrol Retirement System (WSPRS).

Executive Committee Recommendation:

Department of Fish and Wildlife law enforcement officers who are members of PERS plan 2 or plan 3 shall be included in LEOFF plan 2 for purposes of future service. Members with past service in PERS 2 or PERS 3 shall be dual members of PERS and LEOFF plan 2, and have their benefits calculated according to the Portability provisions provided in Chapter 41.54 RCW. No past PERS service credit may be transferred to LEOFF plan 2. Department of Fish and Wildlife law enforcement officers who are members of PERS plan 1 shall remain in PERS plan 1.

1 AN ACT Relating to department of fish and wildlife law enforcement
2 officers' membership in the law enforcement officers' and fire
3 fighters' retirement system plan 2 for periods of future service;
4 amending RCW 41.26.030 and 77.15.075; and adding a new section to
5 chapter 41.40 RCW.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
8 to read as follows:

9 (1) An employee who was a member of the public employees'
10 retirement system plan 2 or plan 3 on or before January 1, 2003, and on
11 the effective date of this act is employed by the department of fish
12 and wildlife as a law enforcement officer as defined in RCW 41.26.030,
13 shall become a member of the law enforcement officers' and fire
14 fighters' retirement system plan 2. All officers will be dual members
15 as provided in chapter 41.54 RCW, and public employees' retirement
16 system service credit may not be transferred to the law enforcement
17 officers' and fire fighters' retirement system plan 2.

(2) An employee who was a member of the public employees' retirement system plan 1 on or before January 1, 2003, and on or after the effective date of this act is employed by the department of fish and wildlife as a law enforcement officer as defined in RCW 41.26.030, shall remain a member of the public employees' retirement system plan 1.

Sec. 2. RCW 41.26.030 and 2002 c 128 s 3 are each amended to read as follows:

As used in this chapter, unless a different meaning is plainly required by the context:

(1) "Retirement system" means the "Washington law enforcement officers' and fire fighters' retirement system" provided herein.

(2)(a) "Employer" for plan 1 members, means the legislative authority of any city, town, county, or district or the elected officials of any municipal corporation that employs any law enforcement officer and/or fire fighter, any authorized association of such municipalities, and, except for the purposes of RCW 41.26.150, any labor guild, association, or organization, which represents the fire fighters or law enforcement officers of at least seven cities of over 20,000 population and the membership of each local lodge or division of which is composed of at least sixty percent law enforcement officers or fire fighters as defined in this chapter.

(b) "Employer" for plan 2 members, means the following entities to the extent that the entity employs any law enforcement officer and/or fire fighter:

(i) The legislative authority of any city, town, county, or district;

(ii) The elected officials of any municipal corporation;

(iii) The governing body of any other general authority law enforcement agency; or

(iv) A four-year institution of higher education having a fully operational fire department as of January 1, 1996.

(3) "Law enforcement officer" beginning January 1, 1994, means any person who is commissioned and employed by an employer on a full time, fully compensated basis to enforce the criminal laws of the state of Washington generally, with the following qualifications:

1 (a) No person who is serving in a position that is basically
2 clerical or secretarial in nature, and who is not commissioned shall be
3 considered a law enforcement officer;

4 (b) Only those deputy sheriffs, including those serving under a
5 different title pursuant to county charter, who have successfully
6 completed a civil service examination for deputy sheriff or the
7 equivalent position, where a different title is used, and those persons
8 serving in unclassified positions authorized by RCW 41.14.070 except a
9 private secretary will be considered law enforcement officers;

10 (c) Only such full time commissioned law enforcement personnel as
11 have been appointed to offices, positions, or ranks in the police
12 department which have been specifically created or otherwise expressly
13 provided for and designated by city charter provision or by ordinance
14 enacted by the legislative body of the city shall be considered city
15 police officers;

16 (d) The term "law enforcement officer" also includes the executive
17 secretary of a labor guild, association or organization (which is an
18 employer under RCW 41.26.030(2)) if that individual has five years
19 previous membership in the retirement system established in chapter
20 41.20 RCW. The provisions of this subsection (3)(d) shall not apply to
21 plan 2 members; and

22 (e) The term "law enforcement officer" also includes a person
23 employed on or after January 1, 1993, as a public safety officer or
24 director of public safety, so long as the job duties substantially
25 involve only either police or fire duties, or both, and no other duties
26 in a city or town with a population of less than ten thousand. The
27 provisions of this subsection (3)(e) shall not apply to any public
28 safety officer or director of public safety who is receiving a
29 retirement allowance under this chapter as of May 12, 1993.

30 (4) "Fire fighter" means:

31 (a) Any person who is serving on a full time, fully compensated
32 basis as a member of a fire department of an employer and who is
33 serving in a position which requires passing a civil service
34 examination for fire fighter, and who is actively employed as such;

35 (b) Anyone who is actively employed as a full time fire fighter
36 where the fire department does not have a civil service examination;

37 (c) Supervisory fire fighter personnel;

1 (d) Any full time executive secretary of an association of fire
2 protection districts authorized under RCW 52.12.031. The provisions of
3 this subsection (4)(d) shall not apply to plan 2 members;

4 (e) The executive secretary of a labor guild, association or
5 organization (which is an employer under RCW 41.26.030(2) as now or
6 hereafter amended), if such individual has five years previous
7 membership in a retirement system established in chapter 41.16 or 41.18
8 RCW. The provisions of this subsection (4)(e) shall not apply to plan
9 2 members;

10 (f) Any person who is serving on a full time, fully compensated
11 basis for an employer, as a fire dispatcher, in a department in which,
12 on March 1, 1970, a dispatcher was required to have passed a civil
13 service examination for fire fighter; and

14 (g) Any person who on March 1, 1970, was employed on a full time,
15 fully compensated basis by an employer, and who on May 21, 1971, was
16 making retirement contributions under the provisions of chapter 41.16
17 or 41.18 RCW.

18 (5) "Department" means the department of retirement systems created
19 in chapter 41.50 RCW.

20 (6) "Surviving spouse" means the surviving widow or widower of a
21 member. "Surviving spouse" shall not include the divorced spouse of a
22 member except as provided in RCW 41.26.162.

23 (7)(a) "Child" or "children" means an unmarried person who is under
24 the age of eighteen or mentally or physically handicapped as determined
25 by the department, except a handicapped person in the full time care of
26 a state institution, who is:

27 (i) A natural born child;

28 (ii) A stepchild where that relationship was in existence prior to
29 the date benefits are payable under this chapter;

30 (iii) A posthumous child;

31 (iv) A child legally adopted or made a legal ward of a member prior
32 to the date benefits are payable under this chapter; or

33 (v) An illegitimate child legitimized prior to the date any
34 benefits are payable under this chapter.

35 (b) A person shall also be deemed to be a child up to and including
36 the age of twenty years and eleven months while attending any high
37 school, college, or vocational or other educational institution
38 accredited, licensed, or approved by the state, in which it is located,

1 including the summer vacation months and all other normal and regular
2 vacation periods at the particular educational institution after which
3 the child returns to school.

4 (8) "Member" means any fire fighter, law enforcement officer, or
5 other person as would apply under subsections (3) or (4) of this
6 section whose membership is transferred to the Washington law
7 enforcement officers' and fire fighters' retirement system on or after
8 March 1, 1970, and every law enforcement officer and fire fighter who
9 is employed in that capacity on or after such date.

10 (9) "Retirement fund" means the "Washington law enforcement
11 officers' and fire fighters' retirement system fund" as provided for
12 herein.

13 (10) "Employee" means any law enforcement officer or fire fighter
14 as defined in subsections (3) and (4) of this section.

15 (11)(a) "Beneficiary" for plan 1 members, means any person in
16 receipt of a retirement allowance, disability allowance, death benefit,
17 or any other benefit described herein.

18 (b) "Beneficiary" for plan 2 members, means any person in receipt
19 of a retirement allowance or other benefit provided by this chapter
20 resulting from service rendered to an employer by another person.

21 (12)(a) "Final average salary" for plan 1 members, means (i) for a
22 member holding the same position or rank for a minimum of twelve months
23 preceding the date of retirement, the basic salary attached to such
24 same position or rank at time of retirement; (ii) for any other member,
25 including a civil service member who has not served a minimum of twelve
26 months in the same position or rank preceding the date of retirement,
27 the average of the greatest basic salaries payable to such member
28 during any consecutive twenty-four month period within such member's
29 last ten years of service for which service credit is allowed, computed
30 by dividing the total basic salaries payable to such member during the
31 selected twenty-four month period by twenty-four; (iii) in the case of
32 disability of any member, the basic salary payable to such member at
33 the time of disability retirement; (iv) in the case of a member who
34 hereafter vests pursuant to RCW 41.26.090, the basic salary payable to
35 such member at the time of vesting.

36 (b) "Final average salary" for plan 2 members, means the monthly
37 average of the member's basic salary for the highest consecutive sixty

1 service credit months of service prior to such member's retirement,
2 termination, or death. Periods constituting authorized unpaid leaves
3 of absence may not be used in the calculation of final average salary.

4 (13)(a) "Basic salary" for plan 1 members, means the basic monthly
5 rate of salary or wages, including longevity pay but not including
6 overtime earnings or special salary or wages, upon which pension or
7 retirement benefits will be computed and upon which employer
8 contributions and salary deductions will be based.

9 (b) "Basic salary" for plan 2 members, means salaries or wages
10 earned by a member during a payroll period for personal services,
11 including overtime payments, and shall include wages and salaries
12 deferred under provisions established pursuant to sections 403(b),
13 414(h), and 457 of the United States Internal Revenue Code, but shall
14 exclude lump sum payments for deferred annual sick leave, unused
15 accumulated vacation, unused accumulated annual leave, or any form of
16 severance pay. In any year in which a member serves in the legislature
17 the member shall have the option of having such member's basic salary
18 be the greater of:

19 (i) The basic salary the member would have received had such member
20 not served in the legislature; or

21 (ii) Such member's actual basic salary received for nonlegislative
22 public employment and legislative service combined. Any additional
23 contributions to the retirement system required because basic salary
24 under (b)(i) of this subsection is greater than basic salary under
25 (b)(ii) of this subsection shall be paid by the member for both member
26 and employer contributions.

27 (14)(a) "Service" for plan 1 members, means all periods of
28 employment for an employer as a fire fighter or law enforcement
29 officer, for which compensation is paid, together with periods of
30 suspension not exceeding thirty days in duration. For the purposes of
31 this chapter service shall also include service in the armed forces of
32 the United States as provided in RCW 41.26.190. Credit shall be
33 allowed for all service credit months of service rendered by a member
34 from and after the member's initial commencement of employment as a
35 fire fighter or law enforcement officer, during which the member worked
36 for seventy or more hours, or was on disability leave or disability
37 retirement. Only service credit months of service shall be counted in

1 the computation of any retirement allowance or other benefit provided
2 for in this chapter.

3 (i) For members retiring after May 21, 1971 who were employed under
4 the coverage of a prior pension act before March 1, 1970, "service"
5 shall also include (A) such military service not exceeding five years
6 as was creditable to the member as of March 1, 1970, under the member's
7 particular prior pension act, and (B) such other periods of service as
8 were then creditable to a particular member under the provisions of RCW
9 41.18.165, 41.20.160 or 41.20.170. However, in no event shall credit
10 be allowed for any service rendered prior to March 1, 1970, where the
11 member at the time of rendition of such service was employed in a
12 position covered by a prior pension act, unless such service, at the
13 time credit is claimed therefor, is also creditable under the
14 provisions of such prior act.

15 (ii) A member who is employed by two employers at the same time
16 shall only be credited with service to one such employer for any month
17 during which the member rendered such dual service.

18 (b) "Service" for plan 2 members, means periods of employment by a
19 member for one or more employers for which basic salary is earned for
20 ninety or more hours per calendar month which shall constitute a
21 service credit month. Periods of employment by a member for one or
22 more employers for which basic salary is earned for at least seventy
23 hours but less than ninety hours per calendar month shall constitute
24 one-half service credit month. Periods of employment by a member for
25 one or more employers for which basic salary is earned for less than
26 seventy hours shall constitute a one-quarter service credit month.

27 Members of the retirement system who are elected or appointed to a
28 state elective position may elect to continue to be members of this
29 retirement system.

30 Service credit years of service shall be determined by dividing the
31 total number of service credit months of service by twelve. Any
32 fraction of a service credit year of service as so determined shall be
33 taken into account in the computation of such retirement allowance or
34 benefits.

35 If a member receives basic salary from two or more employers during
36 any calendar month, the individual shall receive one service credit
37 month's service credit during any calendar month in which multiple
38 service for ninety or more hours is rendered; or one-half service

1 credit month's service credit during any calendar month in which
2 multiple service for at least seventy hours but less than ninety hours
3 is rendered; or one-quarter service credit month during any calendar
4 month in which multiple service for less than seventy hours is
5 rendered.

6 (15) "Accumulated contributions" means the employee's contributions
7 made by a member, including any amount paid under RCW 41.50.165(2),
8 plus accrued interest credited thereon.

9 (16) "Actuarial reserve" means a method of financing a pension or
10 retirement plan wherein reserves are accumulated as the liabilities for
11 benefit payments are incurred in order that sufficient funds will be
12 available on the date of retirement of each member to pay the member's
13 future benefits during the period of retirement.

14 (17) "Actuarial valuation" means a mathematical determination of
15 the financial condition of a retirement plan. It includes the
16 computation of the present monetary value of benefits payable to
17 present members, and the present monetary value of future employer and
18 employee contributions, giving effect to mortality among active and
19 retired members and also to the rates of disability, retirement,
20 withdrawal from service, salary and interest earned on investments.

21 (18) "Disability board" for plan 1 members means either the county
22 disability board or the city disability board established in RCW
23 41.26.110.

24 (19) "Disability leave" means the period of six months or any
25 portion thereof during which a member is on leave at an allowance equal
26 to the member's full salary prior to the commencement of disability
27 retirement. The definition contained in this subsection shall apply
28 only to plan 1 members.

29 (20) "Disability retirement" for plan 1 members, means the period
30 following termination of a member's disability leave, during which the
31 member is in receipt of a disability retirement allowance.

32 (21) "Position" means the employment held at any particular time,
33 which may or may not be the same as civil service rank.

34 (22) "Medical services" for plan 1 members, shall include the
35 following as minimum services to be provided. Reasonable charges for
36 these services shall be paid in accordance with RCW 41.26.150.

37 (a) Hospital expenses: These are the charges made by a hospital,
38 in its own behalf, for

1 (i) Board and room not to exceed semiprivate room rate unless
2 private room is required by the attending physician due to the
3 condition of the patient.

4 (ii) Necessary hospital services, other than board and room,
5 furnished by the hospital.

6 (b) Other medical expenses: The following charges are considered
7 "other medical expenses", provided that they have not been considered
8 as "hospital expenses".

9 (i) The fees of the following:

10 (A) A physician or surgeon licensed under the provisions of chapter
11 18.71 RCW;

12 (B) An osteopathic physician and surgeon licensed under the
13 provisions of chapter 18.57 RCW;

14 (C) A chiropractor licensed under the provisions of chapter 18.25
15 RCW.

16 (ii) The charges of a registered graduate nurse other than a nurse
17 who ordinarily resides in the member's home, or is a member of the
18 family of either the member or the member's spouse.

19 (iii) The charges for the following medical services and supplies:

20 (A) Drugs and medicines upon a physician's prescription;

21 (B) Diagnostic x-ray and laboratory examinations;

22 (C) X-ray, radium, and radioactive isotopes therapy;

23 (D) Anesthesia and oxygen;

24 (E) Rental of iron lung and other durable medical and surgical
25 equipment;

26 (F) Artificial limbs and eyes, and casts, splints, and trusses;

27 (G) Professional ambulance service when used to transport the
28 member to or from a hospital when injured by an accident or stricken by
29 a disease;

30 (H) Dental charges incurred by a member who sustains an accidental
31 injury to his or her teeth and who commences treatment by a legally
32 licensed dentist within ninety days after the accident;

33 (I) Nursing home confinement or hospital extended care facility;

34 (J) Physical therapy by a registered physical therapist;

35 (K) Blood transfusions, including the cost of blood and blood
36 plasma not replaced by voluntary donors;

37 (L) An optometrist licensed under the provisions of chapter 18.53
38 RCW.

1 (23) "Regular interest" means such rate as the director may
2 determine.

3 (24) "Retiree" for persons who establish membership in the
4 retirement system on or after October 1, 1977, means any member in
5 receipt of a retirement allowance or other benefit provided by this
6 chapter resulting from service rendered to an employer by such member.

7 (25) "Director" means the director of the department.

8 (26) "State actuary" or "actuary" means the person appointed
9 pursuant to RCW 44.44.010(2).

10 (27) "State elective position" means any position held by any
11 person elected or appointed to statewide office or elected or appointed
12 as a member of the legislature.

13 (28) "Plan 1" means the law enforcement officers' and fire
14 fighters' retirement system, plan 1 providing the benefits and funding
15 provisions covering persons who first became members of the system
16 prior to October 1, 1977.

17 (29) "Plan 2" means the law enforcement officers' and fire
18 fighters' retirement system, plan 2 providing the benefits and funding
19 provisions covering persons who first became members of the system on
20 and after October 1, 1977.

21 (30) "Service credit year" means an accumulation of months of
22 service credit which is equal to one when divided by twelve.

23 (31) "Service credit month" means a full service credit month or an
24 accumulation of partial service credit months that are equal to one.

25 (32) "General authority law enforcement agency" means any agency,
26 department, or division of a municipal corporation, political
27 subdivision, or other unit of local government of this state, and any
28 agency, department, or division of state government, having as its
29 primary function the detection and apprehension of persons committing
30 infractions or violating the traffic or criminal laws in general, but
31 not including the Washington state patrol (~~or the department of fish
32 and wildlife~~). Such an agency, department, or division is
33 distinguished from a limited authority law enforcement agency having as
34 one of its functions the apprehension or detection of persons
35 committing infractions or violating the traffic or criminal laws
36 relating to limited subject areas, including but not limited to, the
37 state departments of natural resources and social and health services,
38 the state gambling commission, the state lottery commission, the state

1 parks and recreation commission, the state utilities and transportation
2 commission, the state liquor control board, and the state department of
3 corrections.

4 **Sec. 3.** RCW 77.15.075 and 2002 c 128 s 4 are each amended to read
5 as follows:

6 (1) Fish and wildlife officers and ex officio fish and wildlife
7 officers shall enforce this title, rules of the department, and other
8 statutes as prescribed by the legislature. Fish and wildlife officers
9 who are not ex officio officers shall have and exercise, throughout the
10 state, such police powers and duties as are vested in sheriffs and
11 peace officers generally. An applicant for a fish and wildlife officer
12 position must be a citizen of the United States of America who can read
13 and write the English language. All fish and wildlife officers
14 employed after June 13, 2002, must successfully complete the basic law
15 enforcement academy course, known as the basic course, sponsored by the
16 criminal justice training commission, or the basic law enforcement
17 equivalency certification, known as the equivalency course, provided by
18 the criminal justice training commission. All officers employed on
19 June 13, 2002, must have successfully completed the basic course, the
20 equivalency course, or the supplemental course in criminal law
21 enforcement, known as the supplemental course, offered under chapter
22 155, Laws of 1985. Any officer who has not successfully completed the
23 basic course, the equivalency course, or the supplemental course must
24 complete the basic course or the equivalency course within fifteen
25 months of June 13, 2002.

26 (2) Fish and wildlife officers are peace officers. (~~However,~~
27 ~~nothing in this section or RCW 10.93.020 confers membership to such~~
28 ~~officers in the Washington law enforcement officers' and fire fighters'~~
29 ~~retirement system under chapter 41.26 RCW.))~~

30 (3) Any liability or claim of liability under chapter 4.92 RCW that
31 arises out of the exercise or alleged exercise of authority by a fish
32 and wildlife officer rests with the department unless the fish and
33 wildlife officer acts under the direction and control of another agency
34 or unless the liability is otherwise assumed under an agreement between
35 the department and another agency.

36 (4) Fish and wildlife officers may serve and execute warrants and
37 processes issued by the courts.

--- END ---

Draft
RESPONDING AGENCY:
Office of the State Actuary

FISCAL NOTE

REQUEST NO.

CODE:

DATE:

BILL NUMBER:

035

11/4/02

Z-0206.1

Fish & Wildlife into LEOFF

SUMMARY:

This bill impacts the Law Enforcement Officers and Fire Fighters' Retirement System Plan 2 (LEOFF 2) by:

Including Department of Fish and Wildlife law enforcement officers in the membership of the LEOFF 2.

Current members in Public Employees' Retirement System Plan 2/3 (PERS 2/3) will have dual membership in PERS 2/3 and LEOFF 2. Members in PERS 1 will remain in PERS 1..

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

Department of Fish and Wildlife enforcement officers first employed before October 1, 1977, are members of PERS 1. These members are eligible for retirement with 30 years of service at any age; with 25 years of service at age 55 and at age 60 with five years of service.

Enforcement officers first employed after September 30, 1977 are members of PERS 2/3. These members are eligible for normal retirement at age 65 with 5/10 years of service. PERS 2/3 members may retire early at age 55 with 20/10 years of service. The early retirement benefit is actuarially reduced from age 65. For those with 30 years of service the early retirement benefit is reduced by 3% for each year prior to 65 the benefit commences.

LEOFF 2 members are eligible for retirement at age 53 with five years of service. LEOFF 2 members may retire early at age 50 with 20 years of service. The early retirement benefit is reduced by 3% for each year prior to age 53 the benefit commences.

MEMBERS IMPACTED:

We estimate that 72 PERS 2/3 members (6 are in PERS 3) would be affected by this bill.

The bill does not provide an option to transfer past service, or for the one time payment by the employer to keep the rates in LEOFF unaffected. In addition the employer, state, and these employees will have different future contributions as shown below.

The average age, service and salary of the 72 members affected by this bill are shown below:

Member Age	40
Years of Service	11
Yearly Salary	\$ 52,155

FISCAL IMPACT:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the LEOFF 2 System and the required actuarial contribution rate as shown below:

Law Enforcement Officers and Fire Fighters Retirement System Plan 2: (Dollars in Millions)

	Current	Increase	Total
Actuarial Present Value of Projected Benefits	\$3,652	\$ 8	\$ 3,660
The Value of the Total Commitment to all Current Members			
Unfunded Actuarial Accrued Liability	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024			
Unfunded Liability (PBO)	\$ (907)	\$ 0	\$ (907)
The Value of the Total Commitment to all Current Members Attributable to Past Service			
Required Contribution Rate	10.10%	0.04%	10.14%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Effective September 1, 2003

Increase in Contribution Rates:

Employee	0.02%
Employer	0.01%
State	0.01%

Costs (in Millions):

2003-2005

State:

General Fund	\$0.2
Non-General Fund	

Total State

\$0.2

Local Government

\$0.2

2005-2007**State:**

General Fund \$0.2

Non-General Fund

Total State \$0.2

Local Government \$0.2

2003-2028**State:**

General Fund \$5.7

Non-General Fund

Total State \$5.7

Local Government \$5.7

Effective with the employee's transfer, the employer's contribution rate will increase from the rate it pays for PERS 2 members to rate for LEOFF 2 employers.

**Effect of Service Credit Transfer on Contribution Rates
for those Members who Transfer**

	PERS 2	LEOFF 2**	Change
Employer*	2.05%*	3.04%	0.99%*
State General Fund	---	2.03%	2.03%
Total*	2.05%*	5.07%	3.66%*

* The funding for the PERS 1 UAAL is scheduled to be completed by 6/30/2024. The PERS rate will drop to the Normal Cost rate at that time. The Normal Cost Rate is currently 1.41% and the UAAL rate is 0.64%.

** The LEOFF rate includes the increase due to this bill of .01% in both the employer and state rates.

	Increase in Employer Contributions	Increase in State (Non-Employer) Contributions	Total
2003-2005	\$ 83,000	\$ 170,000	\$ 253,000
2005-2007	\$ 95,000	\$ 194,000	\$ 289,000
2003-2028	\$ 2,650,000	\$ 4,612,000	\$ 7,262,000

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Law Enforcement Officers' and Fire Fighters' Retirement System.

Three members hired after the valuation date were not included in this study.

2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

Age 66 COLA

Currently, retired members of the Public Employees Retirement System plan 1 and the Teachers Retirement System plan 1 are eligible to receive the Uniform COLA when they have been retired for one year and have attained age 66 by July 1st. As a result, retirees who have been retired one year, but do not reach age 66 until after July 1st, must wait until the following July 1st to begin receiving the Uniform COLA.

The executive committee of the JCPP recommends an adjustment in the age requirement for Uniform COLA eligibility. Retirees who have been retired for one year by July 1st will begin to receive the COLA on that date if they will reach age 66 during the calendar year.

This proposal has no impact on those already receiving the Uniform COLA, or on those whose birth dates are from January 1st through July 1st. Those whose birth dates are from July 2nd through December 31st will begin to receive the Uniform COLA a year earlier.

1 AN ACT Relating to public employees' retirement system, plan 1 and
2 teachers' retirement system, plan 1 age and retirement requirements for
3 receipt of the annual increase amount; amending RCW 41.40.197 and
4 41.32.489; providing an effective date; and declaring an emergency.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 41.40.197 and 1995 c 345 s 5 are each amended to read
7 as follows:

8 (1) Beginning July 1, 1995, and annually thereafter, the retirement
9 allowance of a person meeting the requirements of this section shall be
10 increased by the annual increase amount.

11 (2) The following persons shall be eligible for the benefit
12 provided in subsection (1) of this section:

13 (a) A beneficiary who has received a retirement allowance for at
14 least one year by July 1st in the calendar year in which the annual
15 increase is given and has attained at least age sixty-six by ((~~July~~
16 ~~1st~~) December 31st in the calendar year in which the annual increase
17 is given; or

(b) A beneficiary whose retirement allowance is lower than the minimum benefit provided under RCW 41.40.1984.

(3) The following persons shall also be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary receiving the minimum benefit on June 30, 1995, under RCW 41.40.198; or

(b) A recipient of a survivor benefit on June 30, 1995, which has been increased by RCW 41.40.325.

(4) If otherwise eligible, those receiving an annual adjustment under RCW 41.40.188(1)(c) shall be eligible for the annual increase adjustment in addition to the benefit that would have been received absent this section.

(5) Those receiving a benefit under RCW 41.40.220(1), or a survivor of a disabled member under RCW 41.44.170(5) shall be eligible for the benefit provided by this section.

(6) The legislature reserves the right to amend or repeal this section in the future and no member or beneficiary has a contractual right to receive this postretirement adjustment not granted prior to that time.

Sec. 2. RCW 41.32.489 and 1995 c 345 s 2 are each amended to read as follows:

(1) Beginning July 1, 1995, and annually thereafter, the retirement allowance of a person meeting the requirements of this section shall be increased by the annual increase amount.

(2) The following persons shall be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary who has received a retirement allowance for at least one year by July 1st in the calendar year in which the annual increase is given and has attained at least age sixty-six by (~~July 1st~~) December 31st in the calendar year in which the annual increase is given; or

(b) A beneficiary whose retirement allowance is lower than the minimum benefit provided under RCW 41.32.4851.

(3) The following persons shall also be eligible for the benefit provided in subsection (1) of this section:

(a) A beneficiary receiving the minimum benefit on June 30, 1995, under RCW 41.32.485; or

1 (b) A recipient of a survivor benefit on June 30, 1995, which has
2 been increased by RCW 41.32.575.

3 (4) If otherwise eligible, those receiving an annual adjustment
4 under RCW 41.32.530(1)(d) shall be eligible for the annual increase
5 adjustment in addition to the benefit that would have been received
6 absent this section.

7 (5) Those receiving a temporary disability benefit under RCW
8 41.32.540 shall not be eligible for the benefit provided by this
9 section.

10 (6) The legislature reserves the right to amend or repeal this
11 section in the future and no member or beneficiary has a contractual
12 right to receive this postretirement adjustment not granted prior to
13 that time.

14 NEW SECTION. **Sec. 3.** This act is necessary for the immediate
15 preservation of the public peace, health, or safety, or support of the
16 state government and its existing public institutions, and takes effect
17 July 1, 2003.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

10/24/02

Z-0197.1

Age 66 COLA

SUMMARY:

This bill impacts the Public Employees' Retirement System (PERS) Plan 1 and Teachers' Retirement System (TRS) Plan 1 by allowing those who have been retired for one year, and will be at least age 66 by December 31st, to receive the annual increase paid on July 1st of that year.

Effective Date: July 1, 2003.

BACKGROUND DISCUSSION:

The current provision requires the member to have been retired one year and to be at least age 66 on July 1st to eligible for the annual increase paid that year. This means that some members will get their first COLA as early as age 66, while others will not get theirs until age 67 (or one to two years after retirement if later). This bill would change this so that some members would get their COLA as early as age 65½, while others will not get theirs until age 66½ (or one to two years after retirement if later).

MEMBERS IMPACTED:

We estimate that 50% of the members who are under age 65 would be affected by this bill.

TRS Plan 1	Under Age 65	Total
Receiving a Benefit	10,438	32,195
Actives	13,784	13,971
Vested Terminated	1,957	1,990

PERS Plan 1	Under Age 65	Total
Receiving a Benefit	11,482	53,538
Actives	23,205	23,981
Vested Terminated	3,151	3,310

We estimate that for a typical member impacted by this bill, the annual increase would be paid one year earlier. The annual increase for July 1, 2003 in the monthly benefit is \$1.14 times years of service. The annual increase is increased by 3% each year and by future "gain-sharing" amounts. The typical recipient of the Uniform COLA has 19 years of service in PERS and 25 years of service in TRS.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of the system by increasing the present value of benefits payable under the System and the required actuarial contribution rate as shown below:

Teachers' Retirement System and Public Employees' Retirement System (Plan 1):

<i>(Dollars in Millions)</i>	System:	Current	Increase	Total
Actuarial Present Value of Projected Benefits	PERS 1	\$ 12,244	\$ 33	\$ 12,277
The Value of the Total Commitment to all Current Members	TRS 1	10,050	29	10,079
Unfunded Actuarial Accrued Liability	PERS 1	\$ 860	\$ 33	\$ 893
The Portion of the Plan 1 Liability that is Amortized until 2024	TRS 1	400	29	429
Unfunded Liability (PBO)	PERS 1	\$ 301	\$ 30	\$ 331
The Value of the Total Commitment to all Current Members Attributable to Past Service	TRS 1	(22)	27	5
Required Contribution Rate-Employer/State	PERS	2.05%	.02%	2.07%
	SERS	1.74%	.02%	1.76%
	TRS	2.22%	.05%	2.27%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

	<u>PERS/SERS</u>	<u>TRS</u>
Increase in Contribution Rates:		
Effective 9/1/2003		
Employee (Plan 2)	0.00%	0.00%
Employer	0.02%	0.05%
Costs (in Millions):		
2003-2005		
State:		
General Fund	\$ 0.8	\$ 3.1
Non-General Fund	0.9	0.0
Total State	\$ 1.7	\$ 3.1
Local Government	\$ 1.5	\$ 0.6

	<u>PERS/SERS</u>	<u>TRS</u>
2005-2007		
State:		
General Fund	\$ 1.0	\$ 3.4
Non-General Fund	<u>1.1</u>	<u>0.0</u>
Total State	\$ 2.1	\$ 3.4
Local Government	\$ 1.8	\$ 0.7
 2003-2028		
State:		
General Fund	\$ 16.8	\$ 56.1
Non-General Fund	<u>18.5</u>	<u>0.0</u>
Total State	\$ 35.3	\$ 56.1
Local Government	\$ 31.3	\$ 11.5

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Public Employees' Retirement System and Teachers' Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

None.
4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
5. This fiscal note is intended for use only during the 2003 Legislative Session.
6. The funding method used for Plan 1 utilizes the Plan 2/3 employer/state rate as the Normal Cost and amortizes the remaining liability (UAAL) by the year 2024. Benefit increases to Plan 2/3 will change the UAAL in Plan 1. The cost of benefit increases to Plan 1 increases the UAAL.
7. Plan 2/3 utilizes the Aggregate Funding Method. The cost of Plan 2/3 is spread over the average working lifetime of the current active Plan 2/3 members.

GLOSSARY OF ACTUARIAL TERMS:

Actuarial Present Value: The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Projected Benefits: Pension benefit amounts which are expected to be paid in the taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unfunded Actuarial Accrued Liability (UAAL): The cost of Plan 1 is divided into two pieces. The Normal Cost portion is paid over the working lifetime of the Plan 1 active members. The remaining cost is called the UAAL. The UAAL is paid for by employers as a percent of the salaries of all plan 1, 2 and 3 members until the year 2024.

Pension Benefit Obligation (PBO): The portion of the Actuarial Present Value of future benefits attributable to service credit that has been earned to date (past service).

Unfunded Liability (Unfunded PBO): The excess, if any, of the Pension Benefit Obligation over the Valuation Assets. This is the portion of all benefits earned to date that are not covered by plan assets.

1 AN ACT Relating to providing a death benefit for certain state
2 employees; adding a new section to chapter 41.40 RCW; adding a new
3 section to chapter 41.32 RCW; adding a new section to chapter 41.35
4 RCW; and adding a new section to chapter 41.04 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** A new section is added to chapter 41.40 RCW
7 under the subchapter heading "provisions applicable to plan 1, plan 2,
8 and plan 3" to read as follows:

9 (1) A one hundred fifty thousand dollar death benefit shall be paid
10 to the member's estate, or such person or persons, trust or
11 organization as the member has nominated by written designation duly
12 executed and filed with the department. If no such designated person
13 or persons are still living at the time of the member's death, the
14 member's death benefit shall be paid to the member's surviving spouse
15 as if in fact the spouse had been nominated by written designation, or
16 if there is no surviving spouse, then to the member's legal
17 representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of injuries sustained in the course of employment. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

NEW SECTION. **Sec. 2.** A new section is added to chapter 41.32 RCW under the subchapter heading "provisions applicable to plan 1, plan 2, and plan 3" to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

(2) The benefit under this section shall be paid only where death occurs as a result of injuries sustained in the course of employment. The determination of eligibility for the benefit shall be made consistent with Title 51 RCW by the department of labor and industries. The department of labor and industries shall notify the department of retirement systems by order under RCW 51.52.050.

NEW SECTION. **Sec. 3.** A new section is added to chapter 41.35 RCW under the subchapter heading "provisions applicable to plan 2 and plan 3" to read as follows:

(1) A one hundred fifty thousand dollar death benefit shall be paid to the member's estate, or such person or persons, trust or organization as the member has nominated by written designation duly executed and filed with the department. If no such designated person or persons are still living at the time of the member's death, the member's death benefit shall be paid to the member's surviving spouse as if in fact the spouse had been nominated by written designation, or if there is no surviving spouse, then to the member's legal representatives.

1 (2) The benefit under this section shall be paid only where death
2 occurs as a result of injuries sustained in the course of employment.
3 The determination of eligibility for the benefit shall be made
4 consistent with Title 51 RCW by the department of labor and industries.
5 The department of labor and industries shall notify the department of
6 retirement systems by order under RCW 51.52.050.

7 NEW SECTION. **Sec. 4.** A new section is added to chapter 41.04 RCW
8 to read as follows:

9 A one hundred fifty thousand dollar death benefit shall be paid as
10 a sundry claim to the estate of an employee of any state agency, the
11 common school system of the state, or institution of higher education
12 who dies as a result of injuries sustained in the course of employment
13 and is not otherwise provided a death benefit through coverage under
14 their enrolled retirement system under this act. The determination of
15 eligibility for the benefit shall be made consistent with Title 51 RCW
16 by the department of labor and industries. The department of labor and
17 industries shall notify the director of the department of general
18 administration by order under RCW 51.52.050.

--- END ---

Draft

FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:

CODE:

DATE:

BILL NUMBER:

Office of the State Actuary

035

10/18/02

Z-0148.2

\$150,000 Death Ben.

SUMMARY:

This bill impacts the Teachers Retirement System (TRS), the Public Employees Retirement System (PERS) and the School Employees Retirement System (SERS) by providing a \$150,000 death benefit where death occurs as a result of injuries sustained in the course of employment. The bill also provides a \$150,000 death benefit, paid as a sundry claim, for public employees who are not members of PERS, TRS, or SERS whose death occurs as a result of injuries sustained in the course of employment.

Effective Date: 90 days after session.

BACKGROUND DISCUSSION:

This benefit is currently provided in the Law Enforcement Officers and Fire Fighters Retirement System, the Washington State Patrol Retirement System, and by PERS for security personnel of the states' ports or universities.

MEMBERS IMPACTED:

We estimate that all the 66,220 active members of TRS, the 152,936 active members of PERS, and the 48,347 active members of SERS would be affected by this bill by being provided death benefit coverage, but few would die and actually receive this benefit.

We estimate that there will be .5 eligible deaths in TRS, 4.0 eligible deaths in PERS and 1.2 eligible deaths in SERS each year, and that for a member impacted by this bill, the increase in benefits would be \$150,000. The inclusion of public employees who are not PERS, TRS, or SERS members does not increase the estimate of eligible deaths.

FISCAL IMPACT:

Actuarial Determinations:

The bill will impact the actuarial funding of TRS, PERS and SERS differently.

The bill will impact the actuarial funding of TRS, PERS and SERS by increasing the present value of benefits payable under the System as shown below. However, the increase in benefits is insufficient to increase the required actuarial contribution rate of TRS or PERS.

The employer and employee split the cost of this benefit in plan 2, while the cost in plans 1 & 3 is paid by the employer. As members transfer to plan 3 this cost will shift from the employer/employee to the employer. For SERS 2/3 this means the employer cost will increase from slightly less than .01% to somewhat more than .01%. For PERS 2/3 this means the cost will increase depending on what percentage of employees are in plan 3. Because this change depends on the number of transfers and its impact is small, it is not reflected in the budget impact below.

<i>(Dollars in Millions)</i>	System	Current	Increase	Total
Actuarial Present Value of Projected Benefits	TRS 2/3	\$ 4,024	\$ 0.5	\$4,025
The Value of the Total Commitment to all Current Members	TRS 1	10,050	0.1	10,050
	PERS 2/3	12,428	3.5	12,432
	PERS 1	12,244	0.4	12,244
	SERS 2/3	1,610	1.3	1,611
Unfunded Actuarial Accrued Liability	TRS 2/3	N/A	N/A	N/A
The Portion of the Plan 1 Liability that is Amortized until 2024	TRS 1	\$ 400	\$ 0.1	\$ 400
	PERS 2/3	N/A	N/A	N/A
	PERS 1	860	0.4	860
	SERS 2/3	N/A	N/A	N/A
Unfunded Liability (PBO)	TRS 2/3	\$ (1,750)	\$ 0.3	\$ (1,750)
The Value of the Total Commitment to all Current Members Attributable to Past Service	TRS 1	(22)	0.1	(22)
	PERS 2/3	(4,874)	2.0	(4,872)
	PERS 1	301	0.3	301
	SERS 2/3	(724)	0.8	(723)
Required Contribution Rate	TRS	2.22%	.00%	2.22%
	PERS	2.05%	.00%	2.05%
	SERS 2/3	1.74%	.01%	1.75%

Fiscal Budget Determinations:

As a result of the higher required contribution rate, the increase in funding expenditures is projected to be:

Effective September 1, 2003	
Increase in Contribution Rates:	SERS 2/3
Employee (SERS 2 only)	.01%
Employer State	.01%

Costs (in Millions):

2003-2005

State:

General Fund	\$.1
Non-General Fund	<u>0</u>
Total State	\$.1
Local Government	\$.1

2005-2007

State:

General Fund	\$.2
Non-General Fund	<u>0</u>
Total State	\$.2
Local Government	\$.1

2002-2028

General Fund	\$ 3.7
Non-General Fund	<u>0</u>
Total State	\$ 3.7
Local Government	\$ 3.3

STATEMENT OF DATA AND ASSUMPTIONS USED IN PREPARING THIS FISCAL NOTE:

The costs presented in this fiscal bill are based on our understanding of the bill as well as generally accepted actuarial practices including the following:

1. Costs were developed using the same membership data, methods, assets and assumptions as those used in preparing the September 30, 2001 actuarial valuation report of the Public Employees Retirement System, Teachers Employees Retirement System and the School Employees Retirement System.
2. As with the costs developed in the actuarial valuation, the emerging costs of the System will vary from those presented in the valuation report or this fiscal note to the extent that actual experience differs from that projected by the actuarial assumptions.
3. Additional assumptions used to evaluate the cost impact of the bill which were not used or disclosed in the actuarial valuation report include the following:

Based on a prior study, it is assumed that eligible deaths will occur at the rate of .0026% for SERS and PERS and .0008% for TRS.

4. The analysis of this bill does not consider any other proposed changes to the system. The combined effect of several changes to the system could exceed the sum of each proposed change considered individually.
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